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Introduction . . .

A Note on Budgetary System in various Countries

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The Autonomous Section (now called Association) of the Secretaries General of the various Parliaments at their Conference held in Vienna in September, 1954, decided to make a report on the budgetary systems followed in various countries, and the undersigned was nominated as a Rapporteur

2 As usual, a questionnaire was prepared by me and sent to all the members of the Autonomous Section. The questionnaire was adopted at the conference of the Section held in Helsinki in August-September, 1955. It was decided at that conference that the report should be presented to the next conference of the Section to be held in Bangkok in November, 1956.

3 The conference, however, felt that as all or most of the European members of the Section might not be present at the Bangkok Conference a preliminary meeting of such members should be held in Paris in September, 1956 to make their views known on the draft report to the conference at Bangkok. Accordingly, a time table was prepared whereby the members of the Section were requested to send their replies to my questionnaire by the 15th March, 1956, so that I could prepare my report by the end of June, 1956.

4 The final questionnaire was sent to the English speaking members on the 4th October, 1955, and to the French speaking members in November, 1955 by the Autonomous Section duly translated into French. Replies began to come in by 5th March, 1956 and the last reply was received on 24th July, 1956.

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A NOTE ON BUDGETARY SYSTEM IN VARIOUS COUNTRIES*

A COMPARATIVE study of Budgetary system in the various countries reveals that there is adequate parliamentary control over the State finances. The mechanism for control is more or less the same in almost all countries with some variations.

Parliamentary Control in different Countries

Broadly speaking, countries which follow the Commonwealth parliamentary system attach more importance to control by the House as a whole before the Budget is passed, a detailed and comprehensive study of a few selected items of estimates of expenditure and a detailed and thorough examination of the expenditure which has been incurred by its Committees.

Countries which follow the Continental system place more reliance on Committee system and Budget is scrutinised in greater detail in committees before it is passed by Houses and there is little control over the expenditure after it has been incurred.

In most countries parliamentary scrutiny is not exercised over the correctness of the collection of revenues, taxes, etc.

In some countries which have a bicameral system Budgets are presented to both the Houses, and in Italy, Belgium, Switzerland and USSR both the Houses enjoy equal powers in regard to passing of Budgets.

*Address delivered by the author at the meeting of the Secretaries-General of Parliaments held in London on the 17th September 1957, while introducing his final report on the Budgetary System in various countries.

The report was adopted and published in "Constitutional & Parliamentary Information", January 1958 issue of IPU Publication.

The Note on Budgetary System is being published in the *Journal of Parliamentary Information*—April 1958 issue.

We have reached the present system of parliamentary control over State finances by a process of evolution. Parliaments in all countries have always been alert that the Executives come before them for grant of supplies and imposition of taxes. Parliaments have established the right of making known their criticisms before they have voted supplies or sanctioned taxes. Parliaments grant these powers for limited periods thereby ensuring that Executives come before them from time to time. This procedure provides for automatic and continuous opportunities for Parliament to ventilate its grievances, make known its policies and enforce economies as far as possible.

Need of the New Age

We are, however, moving into a new age—the number power age. The administration is becoming more complex and science is creeping into every artery of administration and Parliament. Unless, therefore, the parliamentary system adapts itself to new environments it may lag behind and conflicts may arise.

The present criticism of democratic machinery is that (i) it is dilatory and (ii) its influence is so general and broad that it produces little impact on the administration. To a certain extent these criticisms have been real. In the new age things have to proceed with great speed and there must be complete comprehension of the issues involved and there must arise in Parliaments inherent capacity to solve the issues in a most efficient manner. When discussing parliamentary control over State finances one has to keep both these points in view and so mould the system that parliament's supremacy remains pre-eminent and it moves forward with the tempo of times.

Development Budget

At present in almost all countries Budgets are passed from year to year. This is understandable because Parliaments do not want to give unlimited financial powers to the

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once a Budget is sanctioned have in fact been realised. They depend mostly on the administration for such reports as it may make to Parliament. In order to have an effective control over the spending of Government and to see that the monies have in fact been spent for the purposes for which they are intended and full values have been obtained, it is necessary that Parliament should rely on some independent organization which should report to it on such matters. An organization on the lines of the Comptroller and Auditor-General's Office may be suitable. This organization should have under its control independent investigators and valuers who should evaluate the programmes and report to Parliament on their findings. Such a programme evaluation organization may be mainly concerned with the following —

- (i) Whether monies have been spent for the purposes for which they are intended,
- (ii) Whether results have been achieved within the time laid down and at minimum cost, and
- (iii) Whether full value of the money has been obtained

This will go a long way in establishing firm control of Parliament over the finances of the country

Scrutiny of Estimates by Committees of House

Parliaments during discussions of Budget raise questions of policy or bring to notice local grievances. Such debates do not show any real scrutiny of Budgets from the point of view of accurate and economic estimates. Indeed it may not be possible to do so in a general debate in the House. It is therefore necessary that some machinery should be devised whereby the estimates prepared by Governments are checked by Parliament. One course that suggests itself is appointment of committees of Parliament to probe into the estimates. Committees should be appointed for each class of expenditure either

Executive They want to subject the Executive to close scrutiny from year to year and to bring to light any cases of mal-administration, mismanagement or other public grievances During recent years, however, Governments under the direction of national parliaments have taken greater interest in the economic well-being of the people This tendency to associate administration with the economic activities of the country has materially changed the concept of administration Governments plan for the total economic development of the country and in the modern set-up when management of industry has become so complex and colossal projects are being built the period of one year has consequently become very short in which any project of consequence can be completed Governments have, therefore, felt the need of spreading the financing of projects over a number of years depending upon the magnitude of projects and the period within which they can be completed Sometimes the period runs into several years It is, therefore, for consideration whether in the case of expenditure on development which is spread over a number of years Parliament should be called upon to sanction lump provision or block grants for the completion of projects irrespective of the period during which they are constructed or completed This will ensure continuity of finance for a project which has been started in a given year but which may be completed in later years and keeping it immune from the effects of political changes in Parliament Of course, Parliament will be free to discuss from time to time the proper spending of the expenditure and whether it has been incurred on legitimate purposes and whether spending has been kept to the planned phasing of the project Such a Budget may be called Development Budget and may be kept apart from the normal administrative Budgets which may be sanctioned from year to year

Performance Budget

At present Parliaments have no machinery whereby they can ensure that the results intended to be achieved

required to be done. Piecemeal suggestions are made and reforms have been introduced notably in the U.K. to strengthen Parliament's control over the public undertakings, but how far they have succeeded or will succeed in the future remains yet to be seen. This problem is also engaging the attention of other Parliaments, particularly in countries where Government is taking more and more interest in the establishment of State undertakings. Normally, the result of any State undertaking can only be judged by the state of its financial affairs. It is therefore necessary that Parliaments should concentrate attention on the working of the State undertakings. There should be closer scrutiny over the financial working of these undertakings. Thus it will appear that questions relating to examination of Profit and Loss Account, Balance-sheet, Cost Accounts, etc. should be looked into more carefully by Parliament through its specialised committees. The management of these public undertakings should be directly answerable to them and any information required by such committees should be made available to them. The committees should make reports periodically to Parliament and Parliaments should discuss questions of policy while leaving details to be settled by the committees.

Control of Public Accounts

In many countries when the expenditure has been incurred, it is audited by independent organisations and then reports are laid before Parliament. Parliaments then appoint committees to examine such reports and to investigate cases of irregularities, infructuous expenditure, losses, etc. Experience has shown that these reports are made to Parliament a long time after the event and parliamentary committees take their own time in making their reports. In the olden days when there were set patterns of administration and Governments were mostly concerned with maintenance of law and order and running certain essential services only such belated decisions did not do much harm, but now that the Governments are taking more interest in

Ministry-wise or subject-wise as may be convenient. There should be a larger number of committees in order that a large number of subjects is covered at the same time. The membership of the committees should be flexible—i.e. the committees should not be appointed by any one or elected. It should be open to any member to go into any committee he likes and there should be no restriction on the number of members attending the committee. Only a minimum number may be specified. Such committees should examine the Budgets on particular subjects in detail and record their findings thereon. This should be done before the Budgets are passed in Parliaments. Therefore a time limit on their work should be laid down so that the reports are ready by the time the House takes up Budgets for discussion and passes them. It is possible that the Committee System is already being followed in some countries of Europe and particularly in the U S A.

Under the Commonwealth system, an Estimates Committee is appointed which selects a few estimates for the year and scrutinizes them thoroughly. This examination covers questions of organization, methods of work, appointment of officers and staff, and other allied matters. The scrutiny thus is intensive in character.

Public Undertakings

As has been stated above, Governments are taking more direct interest in the economic activity of the country. Therefore many projects and undertakings are run by Government themselves. As this has been a comparatively recent development, Parliaments have not yet laid down limits of their control over the affairs of these public undertakings. Broadly speaking, Parliaments have refrained from looking into the day-to-day administration of the undertakings and have confined themselves to broad questions of policy and principles. It is obvious that the position has not yet crystallised and frequently opinions are expressed in Parliament that something more is

required to be done. Piecemeal suggestions are made and reforms have been introduced notably in the U.K. to strengthen Parliament's control over the public undertakings, but how far they have succeeded or will succeed in the future remains yet to be seen. This problem is also engaging the attention of other Parliaments, particularly in countries where Government is taking more and more interest in the establishment of State undertakings. Normally, the result of any State undertaking can only be judged by the state of its financial affairs. It is therefore necessary that Parliaments should concentrate attention on the working of the State undertakings. There should be closer scrutiny over the financial working of these undertakings. Thus it will appear that questions relating to examination of Profit and Loss Account, Balance-sheet, Cost Accounts, etc. should be looked into more carefully by Parliament through its specialised committees. The management of these public undertakings should be directly answerable to them and any information required by such committees should be made available to them. The committees should make reports periodically to Parliament and Parliaments should discuss questions of policy while leaving details to be settled by the committees.

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the economic activities and there is keener competition, such belated decisions create a lot of difficulties and tend to reduce the efficiency and morale of the administrative services. It has been frequently reported that those who are responsible for taking decisions are afraid of taking responsibilities lest sometime later they should be called upon to explain their conduct in the light of circumstances not existing at the time of taking decisions, but in the atmosphere of *post event*. The result is that there are delays, procedural procrastination leading to wastes, etc. It is, therefore, necessary that in the present set-up expeditious methods should be devised whereby the reports of the Auditor-General are brought before Parliaments immediately after the event and committees of Parliament examine such reports immediately thereafter. For this purpose the audit reports should be made concurrently during the year and not deferred till the end of the year or much later than that. Parliament should not be saddled with *technical and minor details, but matters of importance* or those affecting any execution of policy or principles should be immediately brought forward even though the full audit has not been made so that Parliament is seized of any irregularity or mispending while in the process and not after the event.

There should be scrutiny over the correctness of the collection of revenues, i.e. whether full amounts as imposed by law have been collected, that there has been no large-scale evasion or fraud or depletion of revenue from any other cause. For this purpose the committee of Parliament which scrutinizes the expenditure may also be entrusted with this function.

CHAPTER I

FORM AND PREPARATION

I INTRODUCTORY

The term 'Budget', as it is generally understood, refers to the statement or document(s) placed by Government before Parliament every year on or after a specified date, setting forth the anticipated expenditure of the Government during the next financial year (called the Budget year) and the receipts for the same period (i) under the existing law in force, and (ii) as a result of the taxation proposals, if any, contemplated by Government.

The primary objective of the budget is to reveal comprehensive information in order to present a complete picture of the financial position of the Government and thereby enable Parliament to measure adequately the impact of such financial programme on the country's economy.

The structure of the budget is not uniform in all countries. The pattern followed by each country reflects a long background of tradition, needs of the country and the form of Government. There are points of resemblance as well as contrast as may be observed from this Report.

2 BUDGET YEAR

There are variations in the date on which the financial year or the Budget year begins—in Austria, Belgium, France, Iceland, Luxembourg, the Netherlands, Switzerland and the USSR it begins on the 1st of January, in Denmark, Germany, India, Ireland, Israel, Japan, Pakistan and the U.K. it commences on the 1st of April, in Australia, Italy, Norway, Sudan and Sweden on the 1st of July, and in Ceylon on the 1st of October.

3 FORM OF THE BUDGET

The form of the Budget presented to Parliament and the documents accompanying it differ in many respects from country to country

Australia

In Australia there is a single Budget which comprises all the supplies and requirements and contains separate Sections comprising (a) Revenue and Expenditure met out of Revenue and (b) Capital Expenditure

The Estimates of Expenditure are exhibited in the Budget by Departments. These are sub-divided into votes under division and sub-division. The items of expenditure are listed in the Estimates of Expenditure.

The expenditure estimates are divided into (a) Receipts and Expenditure and (b) Capital Works and Services.

The preparation of expenditure estimates is taken up by Departments normally on the request of the Treasury issued in March. After preparation by the Departments the Treasury examines them. Thereafter they are submitted to the Cabinet.

The Treasury examines the expenditure estimates after they have been prepared by the Departments. After an agreement is reached between the Treasury and the Department, the Consolidated Estimates are submitted to Cabinet. In cases where there is a difference of opinion between the Treasury and the Department, Cabinet is the final arbiter.

The Cabinet approves the estimates for Capital Works and Services submitted by the Departments. New items of Capital Works and Services may not be undertaken without approval. Capital Works and Services are included in a separate Appropriation Act.

There are a number of items of expenditure which are "Charged" (non-voted) and are included as "Special

Appropriations" in the Budget. Some of these are Salaries and Allowances of Governor-General, Ministers of State, Auditor General, High Commissioners, Judges etc. Public Service Pensions and Retiring Allowances and Miscellaneous Special Appropriations e.g., Debt Redemption Reserve, Charges for the International Monetary Fund etc. All these are regulated under Acts of Parliament.

The principal sources of revenue are divided into direct taxes (Income, pay-roll, Estate and others) and indirect taxes (Customs, Excise and Sales tax) and are shown in full detail in the Budget documents. The Treasurer and the Customs and the Excise Minister are responsible for the preparation of the Revenue estimates.

Austria, Denmark and France

In Austria, Denmark and France, the estimates of expenditure and the estimates of taxes and other fiscal revenues are contained in a Bill (Federal Bill of revenues and expenditure in Austria and Finance Bill in Denmark and France*).

The Finance Bill in France consists of two parts—the first contains general provisions (authorisation for the collection of the receipts, introduction of ways and means, fixation of expenditure by major categories, data showing the financial equilibrium, authorised loan operations—charges on the Treasury), the second part fixes the allocation of the expenditure by Heads and within each Head according to the Ministry.

In Denmark and Austria, the expenditure estimates are shown Ministry-wise in the Budget Bill. The estimates of individual Ministries are subdivided into titles and paragraphs according to the individual purposes for which

*Till recently, the Budget in France consisted of a number of Bills of which the Finance Bill was the most important. By virtue of the decree of the 19th June, 1956 determining the modes of presentation of the budget to the State issued on the advice of the Finance Committee, the budget will consist of a single Bill—the Finance Bill.

the grants are to be used. The Bill is not split up into Revenue and Capital, although in Denmark, there is a section in the Bill showing the balance of the Government capital and investment account and the movements on them.

In Denmark, the sources of revenues are divided according to their origin, *i e*, direct taxes, excise, profits earned on Government Corporations and the estimates are prepared by the Ministries concerned except those relating to direct and indirect taxes which are prepared by the Ministry of Finance. In Austria, the revenues of each Ministry are entered in its Budget, *i e*, Judicial taxes in the chapter of the Ministry of Justice, etc.

Belgium

The public receipts and expenditure during the course of each financial year form the general Budget of the State.

It is presented in parts commonly called "Budgets", *e g*, the Budget of Ways and Means, the Budget of Receipt and Expenditure for Order, the Budget of Bad Debts and Reimbursements, the Budget of the Public Debt, the Budget of Extraordinary Receipts and Expenditure and the Budget of Ordinary Expenditure, pertaining to each Ministerial Department.

All the Budgets relate exclusively to expenditure except the Budget of Ways and Means, the Budget of Extraordinary Revenue and Expenditure and the Budget of Revenue and Expenditure for Order. Capital expenditure figures in the Budget of Extraordinary Revenue and Expenditure. In the Budget of Revenue and Expenditure for Order appear certain special revenues and expenditure met out of such revenue.

The expenditure estimates are presented Ministry-wise and classified on a functional basis. Each Budget relating to a Ministry is divided into chapters which in turn are sub-divided into articles and letters.

The Budget makes a distinction between current revenue and expenditure and revenue and expenditure for order. The latter are grouped together in a special part of the Budget. There exists also a budget of ways and means comprising fiscal revenue, non-fiscal revenue and revenue resulting from Ways

The Budget of the Ways and Means is divided into two major items—fiscal receipts and non-fiscal receipts.

The distinction between direct and indirect taxes appears in the budget, but it is not clear, in view of the fact that it is based on the procedure followed by the administration for the recovery of the taxes (direct taxes are those for the recovery of which the administration prepares rolls) and not on the intrinsic nature of the tax.

The estimates are prepared by the Ministry of Finance on the basis of data furnished by the ministerial departments.

Ceylon.

In Ceylon there is only one budget for all the supplies and requirements of the State for the budget year. The budget shows separately (a) Estimates of Revenue, (b) Expenditure to be met out of Revenues, and (c) Expenditure to be met out of advances from the Consolidated Fund, which advances if not repaid by moneys raised by loans within the next five years will stand charged to the Consolidated Fund.

The estimates of expenditure are grouped according to Ministries. Under each Ministry there are as many heads of expenditure as there are Departments. Each head of expenditure is made up of one or more Demands which again are sub-divided into sub heads and items.

There are a number of items of expenditure which are

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There are a number of items of expenditure which are

'charged' to the Consolidated Fund by law (*e g*, salary of the Governor General, Grant to the Law Society of Ceylon etc) These items are shown in the appropriate Demand with a distinguishing note They are not, however, included in the total of the Demand

The estimates of revenue are divided into a number of heads on the basis of the Department from which they are derived No distinction is made between direct and indirect taxes All the Ministries have to prepare the estimates of revenue falling under their respective control

Germany

All revenues and expenditure are included in a single Budget in accordance with Basic Law The Budgets of the Federal Railways and the Federal Postal Services are established separately and are not subject to Parliamentary approval The estimates of expenditure are divided up according to Ministries and in some cases according to functions (*e g*, Federal Debt, General Finance Administration) The estimates of each Ministry are divided according to the nature of services The items are classified according as they are Ordinary or Extraordinary, which corresponds to "Revenue" or "Capital"

The revenue budget is divided according to tax categories The estimates are based on the tax legislation in force and are prepared by the Ministry of Finance

Iceland

In Iceland the Budget takes the form of a statement showing the estimated receipts and expenditure in the following fiscal year All the supplies and requirements of the State are included in a single budget for presentation to Parliament as a whole

There are separate sections in the Budget embracing revenue and Expenditure met out of Revenue and Capital Expenditure. There are no items of 'charged' expenditure.

The expenditure estimates are classified on a functional basis and not arranged according to Ministries. The estimates are divided into Demands (Votes) which are further sub-divided according to the subject or the description of the service rendered.

The principal sources of revenue are exhibited in one Section of the Budget divided into items of revenue, *e.g.*, income-tax, import-duty, etc. They are not divided into direct or indirect taxes. The Ministry of Finance is responsible for the preparation of the Revenue estimates. The effects of taxation proposals, if any, are not included in the revenue estimates, nor are such proposals presented with the budget. (They are presented during the final stages of discussion of the expenditure estimates).

India .

In India, the "Annual Financial Statement" laid before both the Houses of Parliament in accordance with the provisions of the Constitution of India constitutes the Budget of the Union Government. This Statement covers all the transactions of the Union Government during the current and the budget years. The Budget of the Indian Railways is separately presented to Parliament and dealt with by it. But as the receipts and expenditure of the Railways are, nevertheless, the receipts and expenditure of the Union Government, the figures relating to these are also included in lump in the above Statement.

The Annual Financial Statement is prepared by Major Heads of account, such heads of account falling either

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under the Consolidated¹ Fund or in the Public² Account of the Government. The receipts and expenditure of Government fall under one or other of the Major heads either in the Consolidated Fund or the Public Account in accordance with the prescribed rules of classification.

The estimates of expenditure show separately the sums required to meet expenditure which the Constitution has 'charged'³ upon the Consolidated Fund and the sums required to meet other expenditure to be voted by Parliament. The estimates are also split up into two Divisions to distinguish expenditure on Revenue Account from expenditure on Capital Account. The latter covers expenditure on capital outlay, loans given by Government and expenditure on the repayment of loans, treasury bills and ways and means advances.

The estimates of expenditure are also split up into Demands for Grants. These Demands are arranged Ministry-wise and generally cover the requirements of each administrative service. Within each Demand the estimates are arranged by suitable sub-heads, which indicate broadly the categories of expenditure included in the Demand.

The broad divisions of the principal sources of revenue are—Customs, Excise, Income tax and Corporation Tax,

¹*Consolidated Fund* All revenues received by Government, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances and all moneys received by Government in repayment of loans.

²*Public Account* The Public Account is the Fund to which all public moneys received by or on behalf of the Government are credited except

- (i) all revenues received by the Government,
- (ii) all loans raised by the Government by the issue of treasury bills,
- (iii) loans or ways and means advances,
- (iv) all moneys received by the Government in repayment of loans.

No Demand is required to be presented to Parliament for payments out of the Public Account and the actual requirements are met from time to time as they arise. These payments are largely of the nature of banking transactions e.g., State Provident Funds, Post Office Savings Bank, Miscellaneous Deposits and Remittances etc. In respect of such funds, Government acts merely as a banker.

³Charged expenditure is expenditure which is not submitted to the Vote of the House—e.g., the emoluments and allowances of the Head of the State, Salaries and Allowances of the Presiding Officers etc.

Estate Duty and Other Taxes and Duties levied from time to time. They are divided into direct and indirect taxes, though not separately exhibited as such in the Budget. The estimates are prepared by the Revenue Division in the Ministry of Finance on the basis of existing level of taxation at that time and trend of collections. Factors relating to the trade and licensing policies are also taken into account while preparing the estimates. In order to get a closer approximation to reality, the revenue estimates for the Budget year are finalised towards the end of January, by which time the actual collections upto the end of December would be available.

The effects of taxation proposals, if any, are also indicated separately in the Budget. Receipts including miscellaneous receipts relating to different Ministries are estimated by the respective Ministries and incorporated in the Budget.

Ireland

The Constitution of Ireland provides that the Government shall prepare Estimates of the Receipts and Estimates of Expenditure of the State for each financial year, for presentation to Dail Eireann. Accordingly, two documents are prepared, *viz.*, Estimates for Public Services, and Estimates of Receipts and Expenditure. The Estimates for Public Services is a volume giving detailed information of the estimates of expenditure on the Supply Services, while the Estimates of Receipts and Expenditure shows, in a concise form, estimates of the total expenditure for the financial year, estimates of receipts for the financial year based on tax rates in force and the amounts of actual receipts and expenditure for the previous financial year. The Estimates of Receipts and Expenditure segregate Capital Expenditure and receipts from other expenditure and receipts, and the Budget Statement distinguishes between a "Capital Budget" and a "Current Budget" and indicates how each is to be balanced.

The total amount estimated for Supply Services is subdivided into individual votes. The votes are arranged Ministry-wise and generally exhibit the expenditure on a functional basis. The details of the expenditure in the individual Votes are given in the Estimates for Public Services.

Charged items of expenditure are referred to as Central Fund Services (*e.g.*, Service of Public Debt, Local Taxation Grants, Judicial salaries and pensions). The amounts of these items are exhibited in the Estimates of Receipts and Expenditure side by side with the voted expenditure for the Supply Services.

The broad divisions of the principal sources of revenue as shown in the Estimates of Receipts and Expenditure are tax revenue, motor vehicles duties, and Non-tax revenue (Postal service, Wireless Licence fees, Interest on Exchequer Advance, Central Bank Surplus Income etc). The revenue is not divided into direct and indirect taxes nor is it so exhibited in the Budget. The Minister for Finance is responsible for preparing revenue estimates. Revenue receipts are estimated on the basis of the actual receipts obtained during the preceding financial year after due allowance is made for the effect of any economic or social changes which have taken place.

Israel

There is only¹ one budget presented to Parliament since 1954-55, showing the estimated revenue and expenditure for the budget year. The budget is not split up into Revenue and Capital sections. Instead, the Revenues are divided into Ordinary Revenue, Transferred Revenue, Revenue from the Ministry of Posts and Ministry of Transport and Revenue from Counterpart Funds etc. for Development, payment of Debts and Special expenditure, the expenditure is also split up likewise. The expenditure on development can be classified as "Capital Expenditure".

¹Between 1948-49 and 1953-54 a General Budget and a Development Budget were presented separately.

The expenditure estimates are arranged Ministry-wise, but the expenditure on Development is classified on a functional basis. The estimate for each Ministry constitutes a separate item, called "Head of Expenditure". Each head of Expenditure is divided into sub-heads and such sub-heads are again divided into items. There are no items of 'Charged' expenditure.

As stated earlier, the Revenues are divided into Ordinary Revenue, Transferred Revenue, Revenue from the Ministry of Posts and Ministry of Transport and Revenue from Counterpart Funds. The estimates of Revenue are prepared by the Ministry of Finance. They are based on a statistical analysis of assessment and collection of direct and indirect taxes in previous years.

Italy

The Italian Budget is composed of several statements of estimates each relating to the expenditure of a Ministry and presented as separate Bills to be examined and approved by Parliament. There are 16 such estimates at present which are presented to Parliament simultaneously. The Budget of the Ministry of the Treasury includes the estimate of the revenues and a general recapitulation of the expenditure of all the Ministries.

The estimates of expenditure of each Ministry are classified under two broad heads "Ordinary and Extraordinary", which in turn are further divided into two categories according as they are effective or for the transfer of funds, into chapters according to their particular subject (e.g. remuneration for active work paid to persons, purchase of publications etc.) the chapters are finally grouped into heads according to the administrative subject matter. Each Ministry is entitled to sub-divide each chapter into articles.

There is no separate capital budget as such, but the expenditure relating to investments is indicated in a supplement

Each tax (direct or indirect) is shown in the estimates under a special title. The Ministry of Finance prepares the estimates in respect of direct and indirect taxes. Past year's collections and the changes in the economic situation are taken into account in the preparation of the estimates.

Japan

There is only a single budget counting up all estimates of revenues and expenditure relating to the Budget year, but in cases where the Government is carrying out a specific project or is engaged in the management of a specific fund or where a necessity arises to split up the general budget by appropriating specific expenditure with specific revenue, the "Special Account"¹ is created. The former is called the Annual Account Budget, while the latter the Special Account Budget. Besides these, since 1950, there has been created in Japan what is known as the Government Organs Budget which deals with the working of national enterprises like National Railways, Japan Monopoly Corporation, Nippon Telegrams and Telephone Public Corporation.

The budget is classified on a functional basis and arranged Ministry-wise. The expenditure estimates of each Ministry are further subdivided as for departments and boards, outside bureaux and attached organs under that Ministry which are further sub-divided according to their objects.

Items of revenue are divided into six parts, Taxes and Stamps Revenues, Receipts from Monopoly Agencies, profit of Government Enterprise (*e.g.*, Printing Agency), Receipts from Government Enterprise (*e.g.*, those occurring from National Hospitals), Receipts from Co-ordinating

¹Budget of Revenue and Expenditure for Order in Belgium

Government Assets (sale of Government properties) and Miscellaneous receipts and receipts of surplus carried over from the previous year. In the revenue budget, the taxes are not indicated by dividing them into direct and indirect taxes. The responsibility for preparing the Revenue Estimates rests with the Ministry of Finance.

Luxembourg

There is a single budget which comprises the estimates of expenditure and the proposals for taxation. It is divided into chapters, namely Ordinary Revenue, Extraordinary Revenues on the Revenue side, and Ordinary Expenditure, Extraordinary Expenditure and Revenues and Expenditure for Order on the Expenditure side.

The estimates of expenditure are presented in sections and the sections are subdivided into articles.

The revenues are divided into two chapters—ordinary revenues and extraordinary revenues. The former include customs, excise duties etc. The latter comprise the revenues derived from the issue of loans, Treasury Bonds etc. It is the Ministry of Finance that is responsible for the preparation of estimates.

Netherlands

In the Netherlands, the budget consists of the estimates of expenditure only. Taxation is not on yearly basis but is based on Acts of Parliament of a permanent character. Any changes in taxation which may become necessary are effected by *ad hoc* legislation. Revenue estimates are therefore not a part of the budget. They are given only in order to enable Parliament to decide whether the expenditure proposed can be authorised. The different kinds of receipts are enumerated in what is called the 'Bill

of Means' The bill is merely enumerative and does not authorise the imposition or removal of taxation

The expenditure estimates consist of a number of chapters according to Ministries/Departments each in the form of a separate bill There are two special chapters for payments relating to the public debt and a number of bills containing the budgets of special funds and of State Corporations Each chapter is arranged in such a way that all expenditure concerning the same ministry or organization form a separate part, it is further sub divided into sections

The estimates of expenditure of each chapter are divided into (i) ordinary expenditure and (ii) extraordinary expenditure The latter includes capital expenditure also There are no 'charged' items of expenditure

Norway

Both revenue and expenditure are included in a single comprehensive Budget for presentation to Parliament The expenditure estimates are arranged Ministry-wise and sub-divided into divisions, *e g*, under the Department of Justice each category of the various tribunals such as the Court of Assize, the town courts of law etc form a separate item These items are further divided into salaries, travelling expenses etc

There are separate sections dealing with Revenue and Expenditure met out of Revenue and Capital expenditure The latter section of the budget is termed "Capital Budget"

The Revenue estimates are divided into (i) general income from taxes, duties, customs, and other public charges, and (ii) different funds The Finance Ministry is responsible for the preparation of the revenue estimates which

takes into account the last known accounts, the proposed rates of taxes, etc. the general economic situation and the composition of the population etc

Pakistan

In Pakistan, there is only one Budget which covers all supplies and requirements of the Federal Government. The President causes to be laid before the National Assembly a statement of the estimated receipts and expenditure of the Federal Government for each financial year. This is known as the Annual Financial Statement. The receipts and expenditure of the Federal Government fall either in the Federal Consolidated Fund or the Public Accounts of the Federation, according to the classification prescribed by the Constitution.

The estimates of expenditure are exhibited in the Annual Financial Statement by main heads of account which are classified on a functional basis. The requirements of each Ministry for different services are usually exhibited in separate demands. The Demands for Grants are arranged into sections, each section comprised of all the Demands and Appropriations for expenditure (both Revenue and Capital) controlled by one Ministry. The Demands and Appropriations are for the gross amounts of expenditure and do not include the credits and recoveries which are adjusted in accounts as deductions from expenditure. These are shown at the foot of each Demand. The totals do not, therefore, correspond to the amounts against Major Heads of accounts which are the main units of classification in the Annual Financial Statement. In some cases, expenditure falling under one Major Head is included in more than one Demand, while in other cases expenditure under a number of Major Heads is shown in one Demand.

The estimates of expenditure indicate separately the sums to be charged on the Federal Consolidated Fund and the sums required to meet other expenditure. The former category of expenditure is exhibited in the Demands in

italics and is not submitted to the vote of the National Assembly, while the latter category is votable and is submitted to the National Assembly in the form of Demands for Grants. The National Assembly is empowered to assent to, or to refuse to assent to any demand or to assent to any demand subject to reduction of the amount specified therein. All Demands for Grants are made on the recommendation of the President.

The broad divisions of the principal sources of revenue are (1) Customs, (2) Central Excise, (3) Income-tax and Corporation tax, (4) Sales tax, (5) Salt, (6) Estate duty and (7) Taxes and duties levied under the Supplementary Finance Act, 1950. These are divided into direct and indirect taxes, but are not separately exhibited in the Budget. The direct taxes are the income-tax, corporation tax and estate duty. The revenue estimates are prepared by the Revenue Division of the Ministry of Finance. The revenue receipts are estimated on the basis of both the estimates and actual collections reported by the Collectors and Commissioners. Factors relating to the trade and licensing policies and the changes effected during the out-going year or proposed for the next year are also taken into consideration.

Sudan

In Sudan there are three different budgets, (i) Central Budget, (ii) Sudan Railway Budget and (iii) the Development Budget which is an expenditure budget. Each of the first two budgets contains two sections—Revenue and Expenditure.

The expenditure estimates are arranged Ministry-wise and are divided into Demands which in turn are subdivided according to the subject of the service rendered. They are divided into current and capital expenditure. There is no separate section in the Budget for exhibiting Capital expenditure. The items are, however, shown distinctly in the Budget.

In Sudan "charged" items of expenditure such as Debt Service Charges, salary of the Auditor-General, salaries of Members of the Public Service Commission are called "excepted expenditure" and are included in the relevant demands along with other (voted) expenditure with a footnote

The principal sources of revenue are divided into direct and indirect taxes and the estimates thereof are prepared by the Ministry of Finance

Sweden

In Sweden both revenue and expenditure are included in a comprehensive bill concerning 'the state and requirements of the administration' and also 'proposals relating to the manner of providing by taxation for the needs of the State'

Expenditure is divided into current expenditure and expenditure for capital investments. Estimates of expenditure are arranged Ministry-wise. Ministerial estimates are further sub-divided very much in detail. The classification is based on the character of the expenditure. Recently, as a measure of checking inflationary pressure, capital expenditure is also to be covered by current income.

The sources of revenue are exhibited in the budget separately under direct and indirect taxes and the Ministry of Finance is responsible for this work. Revenues for the Budget year are estimated on the basis of information on the budgetary results of the last financial year and on the general appreciation of the likely trends on the economic development.

Switzerland

The budget presents simultaneously the estimates of expenditure and the estimates (not proposals¹) of taxation

¹In order to modify taxes, a special Bill is to be submitted to the referendum of the people; the budget does not serve this purpose.

taxes are compiled by the Ministry of Finance on the basis of the fiscal laws in force. The taxes paid by the people are inconsiderable—8 to 8.5 per cent of the total receipt.

4. PREPARATION

In the matter of preparation of the expenditure estimates, although each country has a set Budget Calendar which is governed by the date of commencement of the fiscal year and the date of presentation of the Budget to Parliament, the pattern is broadly the same in all the countries. The preparation of these estimates is taken up by the Administrative units concerned about 5-6 months (in Australia 4 months) before the commencement of the fiscal year to which the estimates relate, one year in the case of the Netherlands as the Budget is to be presented to Parliament on the 3rd Tuesday in September each year. They are approved after due examination by the appropriate Ministries under whose jurisdiction the units are, and are transmitted to Treasury/Ministry of Finance for incorporation in the Budget. The latter in turn scrutinises the item before accepting the provisions finally.

The scrutiny exercised by the Ministry of Finance is the least in respect of items of expenditure, which are "charged" on the Consolidated Fund by statute (such items are only in India, Pakistan, U.K., Ireland, Sudan), it is nominal and purely administrative in the case of "standing charges" which relate mostly to permanent charges like salaries and allowances of permanent establishment and fixed contingent charges, it is more exacting, according to the importance, need and the urgency of the expenditure, in respect of "new items" of expenditure which are either proposed for the first time or are being continued from year to year, but nevertheless are not "standing charges". Besides, in India, Ceylon, Pakistan and Ireland, "new items" cannot be included in the estimates forwarded by the Administrative Ministries without the prior sanction of the Ministry of Finance. Such items are distinctly shown

in the estimates by certain Countries (India, Pakistan, Ceylon, Denmark). In the U.K. and Ireland, they are exhibited under new sub-heads, while in Italy they can easily be recognised by the notes referring to the law authorising the new expenditure. Besides, if the item is important, it is mentioned in the report of the Minister of the Treasury which is published in the heading of the Bill in which the item stands included.

The decision of the Treasury/Ministry of Finance is final in the matter of determining the provision. In Norway, the representatives of the Ministry concerned are summoned by the Ministry of Finance to regular conferences for finalising the provision. In Denmark the Prime Minister's Department and the Ministry of Finance fix the limits beforehand. In Belgium there is a Budget Committee consisting of the Prime Minister, the Minister of Finance and two other members of the Cabinet to examine the proposals. In the Netherlands, there is a Council of State, an advisory body consisting mainly of retired statesmen and former high officials, which advises the Finance Minister.

Differences of opinion over the quantum of provision or the need for including an item of expenditure are resolved by discussion at Ministerial level. If they still persist, the matter is taken to the Cabinet/Council of Ministers who decide finally. In Australia, the Cabinet is the final arbiter in a case of difference of opinion between a Department and Treasury. In Germany, the Federal Minister of Finance has the right to disagree with the Cabinet but the item under dispute will be included in the budget if the majority of all the Ministers vote in favour of it and the Federal Chancellor casts his vote with the majority.

In all countries, if a compromise cannot be reached, then the matter is taken to the Prime Minister or to the Cabinet for arbitration.

5 ESTIMATES—GROSS/NET

In most of the countries the estimates of expenditure shown in the Budget exhibit the gross amount required. The exceptions are the U K, Ireland and Denmark. In the latter countries, the estimates indicate how the net amounts have been arrived at. In Iceland the practice is not uniform. In some cases the net expenditure alone is shown in the Budget while in others the receipts figure on the revenue side of the Budget and the corresponding expenditure in gross amounts is shown on the expenditure side. In Sweden both the methods are used.

6 BUDGET OF PARLIAMENT

The procedure in the matter of preparation and finalisation of the budget of the Parliament is not uniform in all the countries. In the U K, Ireland, Australia, Austria, Norway, Luxembourg, Switzerland, Sudan and Pakistan the budget of the respective Parliaments follows the same course as that of any other Ministry or Department of the Government. In Iceland, though, the budget is submitted to the Ministry of Finance, the estimates are not criticised nor are comments made thereon by the latter. The position in India is almost identical.

In Germany, the budget of the Parliament is prepared by the "Vorstand" (consisting of the President of the House, 4 Vice-Presidents and 21 Secretaries) and transmitted—in the same way as the estimates of any other Ministry of the Government—to the Finance Minister. The Cabinet in dealing with the general Federal Budget has not the right to alter the draft budget of the Parliament. The most it can do is to submit to Parliament its amendments to the draft budget prepared by the "Vorstand". The estimates of the Parliament are, as part of the Federal Budget, subject to consideration and amendment by the Budget Committee and the House. In Denmark,

the estimates are not submitted to the Prime Minister's Department or to the Ministry of Finance as is done in the case of estimates relating to other departments. The amount which the Folketing expects to be necessary to cover its expenditure, is shown as a lump sum in the Finance Bill. In the Netherlands though Government can refuse part of the credits asked by Parliament for its use, in practice this is not done.

Each chamber has its budget prepared by the Bureau in complete autonomy, approved by the respective chamber in Italy. Each Bureau presents every year to the Ministry of the Treasury its request for necessary funds which amounts are included without modification in a special chapter of the Budget of the Ministry of the Treasury.

The Budget of each House of Parliament* in Belgium is included as a lump sum in the Budget of Endowment. The estimates are prepared by the Questeurs of the Assembly and are placed before the respective Houses.

In the U S S R, the budget of the Supreme Soviet is prepared by its Secretariat and examined by the Budgetary Committee of the House.

The Budget of each House in Ceylon is scrutinised by the Speaker (President) and his Advisory Committee consisting of the leader of the House and the Minister of Finance or his representative. In Israel, the estimates are approved by one of the Standing Committees—the House Committee.

*In the House of Representatives, the Budget estimates prepared by the Questeurs are previously examined by the Accounts Committee which submits them for the approval of the House.

CHAPTER II

PRESENTATION AND DISCUSSION

7 PRESENTATION

The date of presentation of the Budget to the respective Legislatures has necessarily to vary from country to country as it depends upon the date of commencement of the financial (Budget) year of the country. In most countries the Budget is presented well in advance of the commencement of the financial year to which the Budget relates so as to enable Parliament to study and scrutinise the estimates.

In Australia the Budget is presented by the Treasurer at the 'Budget Session' of Parliament which usually commences in August each year.

In U.K., while the Budget proposals are presented only in April, after the commencement of the financial year, the estimates of expenditure are presented in batches well before the 31st March, the first batch of the estimates being presented in February. Similarly in Ireland, the Budget Statement is made to the Dail early in May, after the commencement of the financial year, but the Estimates for Public Services are circulated early in March.

The interval between the presentation of the Budget and the commencement of the financial year ranges from 5 weeks in India to 24 weeks in Norway. In U.S.S.R., the interval is 6 to 8 weeks, in Austria and Japan, 10 weeks, in Belgium, 6 to 8 weeks, in Sweden 22 weeks, in Australia about 7 weeks after the commencement of the financial year.

In most countries like Austria, Belgium, Denmark, Germany, Italy, the Netherlands and Switzerland the date of presentation of the Budget is prescribed either under the Constitution, Federal or ordinary Law or Regulation or Standing Orders. No such requirements exist in Israel, Norway and U.K. where the date is fixed by mutual agreement between Government and Parliament. In India it has been a long standing convention to present the Budget on the last working day of February. In Sweden, the Riksdag Act lays down that the Budget should be presented not later than the second week day after the beginning of the Riksdag on January 10th or 11th.

Not in all the countries is the Budget required to be recommended by the Head of the State before presentation to Parliament.

In Australia the Budget is recommended by the Governor-General before presentation, as laid down in Sec. 56 of the Constitution.

In India, the Budget requires to be recommended by the President before it is presented to Parliament as, under the Constitution, the President's recommendation is required for the imposition, abolition, remission, alteration or regulation of any tax, for the regulation of borrowing money and for withdrawal of money from the Consolidated Fund.

While in Belgium the Budget is presented by Royal Order, in Denmark, it is confirmed by the King in Council of State. In Pakistan, the Budget is presented to the National Assembly in February or March every year by the Finance Minister. The actual date for presentation is fixed by the President. In the Netherlands, the Budget is to be laid before the Queen who authorises the Finance Minister to present it to Parliament.

In U.K., the estimates are recommended to the House in the Queen's Speech and presented by Her Command.

The Budgets of Austria, Germany, Ireland, Israel, Italy, Japan, Luxembourg and Sudan are not required to be recommended by the respective Heads of States, before presentation to Parliament.

In Sweden, the King-in-Council decides that the Budget in the form given to the Riksdag shall be introduced

In Switzerland, there is no Head of State, in the U S S R, the Budget is presented to the Supreme Soviet of the U S S R without the recommendation of the Presidium

The Budget is invariably presented by the Minister in charge of the Finance portfolio

The procedure in the matter of presentation of the Budget varies too from country to country where the Legislature is bicameral

In India, the Budget is first presented in the Lower House (House of the People) by the Finance Minister. He makes a speech introducing the budget and on the conclusion of his speech another Minister, usually his junior in the Finance Ministry, presents the budget documents together with a copy of the Finance Minister's speech, to the Upper House (Council of States). The presentation of the Budget is, thus, done simultaneously in both Houses

In Australia, the Budget, Estimates and the connected papers are tabled in the Senate at the same time as the Treasurer delivers his speech in the House of Representatives. The Minister-in-Charge in the Senate reads a condensed version of the Treasurer's speech

In Austria, the National Council (Lower House) alone is seized of the Federal Budget

In Belgium, although the Budgets can be presented to either of the Houses, it is the tradition of the House of Representatives to be seized of the budgets of the 'Ways and Means' before the Senate

In Ireland, the Budget Statement is made only to the Dail (Lower House). Luxembourg also follows more or less a similar procedure. Before discussion by the Chamber, the budget has to be screened by the Council of State (Upper House).

In Japan, the Budget is presented first to the House of Representatives (Lower House).

In Germany, the position is, however, the reverse. The draft Budget is presented first to Bundesrat (Upper House), returned to the Federal Government with its proposed amendments and then transmitted to the Bundestag (Lower House) together with the opinion of the Government on the amendments proposed by the Bundesrat (Upper House).

In the Netherlands, the budget is presented to the Second Chamber on the 3rd Tuesday of September (immediately after the opening of the yearly session).

In Italy, half of the Bills are usually presented to the Chamber of Deputies (Lower House) while the other half of the Bills are presented to the Senate (Upper House). Those which are presented to the Chamber in one year are presented to the Senate in the following year, and *vice versa*. After approval by one Chamber, the Bills are passed on to the other Chamber. Each House enjoys exactly the same financial power.

In Sweden, the Budget is presented at the opening-in state of the Riksdag which is a kind of joint session. So both Houses get the Budget on the same occasion. The Budget discussion takes place around January 20th.

While the House of Lords in U.K. holds a debate on the economic situation and the Finance Bill, the budget is presented in the House of Commons only.

In the U S S R, the two Houses (Soviet of the Union

and Soviet of Nationalities) have the same prerogatives and the project of the Budget is submitted simultaneously before both Houses

For a proper understanding of the Budget estimates (which are technical documents) and appreciation of the need for expenditure of the order envisaged and justification for the taxes proposed it is but necessary that they should be accompanied by supporting documents

In all the countries, simultaneously with the Budget, Government submit to Parliament commentaries on and detailed analysis of the estimates of revenue and expenditure, statistical and other material surveying the economic background against which the budget has been drawn up and explaining the budgetary policy of Government To quote a few examples

In Australia along with the Budget papers, estimates of receipts and expenditure, estimates of expenditure for additions, new works and other services involving capital expenditure and a document relating to the national income and expenditure for the preceding financial year are circulated to the Members

In Denmark, together with the Finance Bill, the so-called notes on the Bill are presented which explain in a detailed manner the origin and reasons of the various estimates

¹In France, the Budget Bill includes an exposition of the object and a detailed analysis of the demands for credits, chapter-wise and article-wise Besides numerous

¹According to the decree of 19-6-1956, the Budget will be accompanied by two reports an economic report, based on the economic accounts of the Nation describing notably the results of the preceding year and the situation of the current year, the programme of action of the Government, bringing out the social investments and containing, by way of an annexe, the budget estimates of the organisations of the public sector for which there is provision for financial help or a State guarantee, a financial report defining the charges of the state and the means of finance bringing out the excess or the deficit in the budget, the evolution of the public debt, the charges on the Treasury, the financial situation of the organisations of the public sector

documents notably total strength of the functionaries Ministry-wise, creation and transformation of employment, organisation of services of the Ministry, the total strength of the personnel etc., are submitted to Parliament or to the Finance Committee.

In India, Government presents to Parliaments the following documents along with the "Annual Financial Statement" an explanatory Memorandum briefly explaining the nature of receipts and expenditure during the current year and the next year and the reasons for the variation of the estimates in the two years, the Book of Demands, showing the provision Ministry-wise under a separate Demand for each Department or service of the Ministry, an Appropriation Bill and a Finance Bill. Together with the Finance Bill, which details the Taxation measures proposed by Government, is presented a Memorandum explaining in detail the various provisions of the Bill and the effect of the measures proposed on the finances of the country.

In the Norwegian Budget all items are explained in detail not in the Budget itself but in comments accompanying it. Along with the Budget are presented elaborate documents Ministry-wise.

In the Netherlands, the Budget is accompanied by a memorandum on the general financial situation (signed by the Finance Minister), an explanatory memorandum for each chapter of the Budget, a detailed explanatory statement of the expenditure estimates and the Bill of Means.

In the U.K. usually a White Paper on the economic situation, tax tables and tables of Income and Expenditure form the documents presented to the House of Commons along with the Budget.

As a general rule, it is usual for Government to announce their taxation proposals and or changes in the

and all Money* Bills must be initiated only in the Lower House. The Upper House has no power to amend the Appropriation† Bill.

The countries where the two Houses of the Legislature enjoy equal powers are Belgium, Italy, Sweden, Switzerland and the U S S R.

Discussion in Committees first is the practice that is followed in many of the legislative bodies of the Continental countries, the U K, Ireland and Japan.

In Australia, and the U K, there are two major Committees—the Committee of Supply and the Committee of Ways and Means. Both are Committees of the whole House of Commons in which all the Members of the House can take part. In Ireland, the Committee on Finance of the Dail, which is a Committee of the whole Dail, discusses the budget. This procedure is a formal one adopted under the Standing Orders to permit a freer and more

*A Bill which contains only provisions dealing with all or any of the following matters, namely —

- (i) the imposition, abolition, remission, alteration or regulation of any tax,
- (ii) the regulation of the borrowing of Moneys or the giving of any guarantee by the Government or the amendment of the law with respect to any financial obligation undertaken by the Government,
- (iii) the custody of the Consolidated Fund, or the Contingency Fund, the payment of moneys into or the withdrawal of moneys from any such Fund,
- (iv) the appropriation of moneys out of the Consolidated Fund
- (v) the declaring of any expenditure to be expenditure charged on the Consolidated Fund or the increasing of the amount of any such expenditure.

†A Bill to provide for the appropriation out of the Consolidated Fund, of the State of all moneys required to meet —

- (i) the grants made by the House,
- (ii) the expenditure charged on the Consolidated Fund but not exceeding in any case the amount shown in the annual financial statement laid before Parliament.

NOTE —In the United Kingdom any statutory charge on the Consolidated Fund is not included in the Appropriation Bill, but paid direct without further Parliamentary authority.

detailed type of debate in the initial consideration of financial matters

In France, the Finance Committee (a Committee of the National Assembly) to which the Bills are at first submitted consists of 44 titular members and 22 substitute members nominated in such a manner as to secure proportional representation of all the groups. The reports presented by the Finance Committee form the basis of discussion in the Chamber. The Finance Committee of the Chamber has complete control of the budget while it is before that body. It may support the budget proposals of a Ministry or introduce wholesale modifications therein. Middleton says that this Committee, "while performing with diligence its functions of technical criticism, is far from disdainful to use its political power. Its action in certain exceptional and critical periods shows the Committee system at its best and its worst."

In countries like Belgium, Italy and Switzerland where the two Houses of Parliament enjoy equal powers, the Budget is discussed first by two Committees—one of each House. In Belgium, the Committees, for purposes of their work, invite the Minister, who is often accompanied by high functionaries of his department.

In Italy the Committees consist of 57 members in the Chamber of Deputies and 25 members in the Senate. The political composition is proportionate to that of the parliamentary groups of the respective Chambers.

In Switzerland the Budget is at first discussed in the Finance Committee of each House. The Committee of National Council has 15 members while that of Council of States only 11. The Committee in either House examines the Budget, makes report thereon to the Councils and often makes proposals divergent from those of the Cabinet.

In the Netherlands, the budget Bills are examined by Sections' into which the Second Chamber is divided by lot and by Committees of Members. The same is the procedure followed in the First Chamber also.

In the U S S R, the Budgetary Committees of the Houses examine in detail the estimates. Though in the nature of Select Committees, Deputies of the Supreme Soviet of the U S S R (non-members of the Budgetary Committee) and certain specialists on budgetary and financial questions participate on invitation in the proceedings of the Budgetary Committees.

On the other hand, in India, Pakistan and Sudan, there is no such discussion of the budgets in Committee. The Budget is considered by the whole House as such.

The systems obtaining in the different countries will now be described in some detail with special reference to the duration and scope of the discussions, the powers of Members to amend or modify the provisional estimates and the rights of Members (of the Opposition in particular).

Australia

After the Speaker has read the Governor General's Message presenting the estimates and recommending an Appropriation from the Consolidated Revenue Fund, the Treasurer moves that the Message and estimates be printed and referred to the Committee of Supply. The House forthwith resolves itself into Committee of Supply. The Treasurer then delivers the Budget speech. The Budget may also be introduced in the Committee of Ways and Means. The Treasurer moves that the first item of the Estimates be agreed to but there is no debate on this day. A future day is fixed for discussion usually in the following week, and the

Treasurer presents the "Budget papers"* in the House for the information of members

In the House of Representatives there is a general debate on the Motion that the first item in the Estimates be agreed to. The debate is usually for a fortnight or three weeks. When this item has been agreed to the Treasurer may declare that the Estimates and Resolutions preliminary to the introduction of the Appropriation Bill are urgent, and the Bill itself is an urgent one and a motion having been carried that they be so considered, the remainder of the first vote and other votes, Resolutions and the stages of the Appropriation Bill are dealt with according to a schedule in which time is allotted for each section. The guillotine may not be introduced until the Votes of some Departments have been discussed and approved.

In the Senate, the Appropriation Bill is not sent to a Committee for prior discussion. There is a wide preliminary discussion on the Motion for First Reading and this takes place in the Senate itself. On the Second Reading, debate must be relevant; Debate in Committee of the whole Senate is confined to particular votes only.

In both Houses the votes are dealt with either Department by Department or grouped together under the guillotine procedure. In the Senate the practice has now been established whereby votes are grouped under each particular Minister and are dealt with either separately or, by leave, together.

*The 'Budget Papers' is a statistical document divided into the following 6 main Sections, viz. —

- (a) Treasury Balances
- (b) Consolidated Revenue Fund Receipts and Expenditure,
- (c) Trust Fund Receipts, Expenditure and Balances,
- (d) Loan Fund Receipts, Expenditure and Balances,
- (e) Statement of Public Debt,
- (f) Miscellaneous and Statistical

In the Netherlands, the budget Bills are examined by Sections' into which the Second Chamber is divided by lot and by Committees of Members. The same is the procedure followed in the First Chamber also.

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Non-voted items are known as Special Appropriations and are contained in separate Bills

Austria

In Austria, neither the law nor the Standing Orders of the Councils provide for any strict programme for the discussion of the Budget. The established procedure is that a few days after the presentation of the Budget (at the latest by 22nd October), the Finance Minister makes a detailed oral exposition. Immediately thereafter, debate on general lines, *et c.*, the first reading takes place in the plenary session of the National Council. During November, the Budget is deliberated in the Committee for Finances and Budget. Thereafter the Budget is given a second reading in December in the plenary session of the National Council on the basis of the Report of the Committee for Finances and Budget.

The second reading is divided into two parts—(i) general debate and (ii) special debate. Special debate relates to examination of each estimate separately. Every Member of the Opposition can speak at the plenary session of the National Council. A member cannot demand the right of speech so much in the general debate as in each phase of the special debates. In no case can he speak more than twice in all. This is in a way due to the fact that the Opposition groups do not get representation in the Committee on Finance unless they are sizeable in the National Council. Although the Standing Orders provide for restricting the duration of a speech by a Member, this provision had not been invoked at any time.

The estimates of revenue are always discussed simultaneously with the expenditure estimates as the revenue estimates are exhibited opposite to the expenditure in each Chapter. Any proposal for reduction or abolition or enhancement of any of the excise duties or imposition of new taxes can be made only by a motion to be brought apart

from the Budget. It must bear the signature of eight Members and is dealt with in the same manner as any other independent motion for the modification of an existing law.

Belgium

A period of five weeks intervenes in Belgium between the presentation of the Budget (at the latest 30th September) and commencement of examination by the House in public sitting.

The general statement of the Budget containing a declaration of the policies of Government is discussed along with the Budget of the Ways and Means and the discussion is general in character covering the financial and economic policies of the Government. This discussion extends generally to one or two sittings. The Regulations of the Assemblies provide for a variable time-limit in the matter of speech in the House of Representatives. If a speaker is nominated by his group he is allowed an hour or so, otherwise only 15 minutes. On the proposal of the Presiding Officer of the sitting, the House may decide to reduce the time of speeches still further but has rarely used this power. There are no provisions in the regulations of the Assemblies relating especially to the rights of the Opposition. Full liberty is given to the speakers within the framework of the subject of the discussion.

Any Member can propose reduction, abolition, or enhancement of any existing tax or even imposition of a new tax.

Ceylon.

Early in July, the Minister of Finance introduces the Appropriation Bill and lays on the Table the Estimates of Receipt and Expenditure. The Appropriation Bill is put down for discussion about a week later. The Minister of Finance initiates the discussion by making his Budget

Speech" in which he explains the Financial position of the country, the policy he proposes to pursue, the expenditure necessary in the Budget Year and the taxation measures he contemplates. After the Finance Minister's speech the Debate is adjourned for another week or fortnight to enable Members to study it. In the resumed debate which lasts for 7 days, the general policy of the Budget is discussed and vote taken. The Appropriation Bill is then referred to a Committee of the whole House. In the Committee each "Vote" in the Estimates is either passed or debated, a debate being initiated by a Member moving a cut of which notice had been given. Twelve days are allotted for the Committee stage. After the committee stage, a motion for the passing of the Bill is moved and usually passed on the same day, although it is open to the House to extend the period of the Debate by one more day.

The Opposition controls the debates in the Committee stage by selecting the votes in respect of which they move cut motions.

Revenue Estimates are discussed during the course of the debate on the Appropriation Bill when the financial policy of Government is debated.

No Member except a Member of Government with the approval of Cabinet, can propose reduction or abolition or enhancement of existing tax or imposition of new levy, nor an increase in expenditure.

Denmark

In Denmark, the first reading and the ensuing debates on the Budget Bill begin about the 1st December, usually one or two weeks after the presentation of the Budget Bill.

The discussion takes the form of a general economic debate, the duration of which is limited only by the provisions of the Standing Orders on the length of time each Member is allowed to speak.

Estimates of revenue receipts are debated to the extent deemed necessary by the members of the Folketing. In other words the scope of discussion is unlimited and the Opposition is free to call the attention of the House to all subjects which it wants to have dealt with and, if it so desires, to move a vote of censure.

Any Member can propose a change in the existing taxes, but for the imposition of new taxes an independent Bill is necessary.

France

In France, as has already been stated, the Budget first goes to the Finance Committee. The discussion of the Budget in the Assembly commences as soon as the Finance Committee declares itself ready to present its report. The time that elapses between the presentation of the Bills and the commencement of the discussion is quite variable. To cut short the interval, the Committee of Finances is frequently seized, unofficially, of a certain number of budget estimates from September onwards and as soon as the examination of the first few estimates by the Committee is over, the discussion thereon starts in the Assembly, the Committee pursuing at the same time its examination of the other estimates.

The discussion is general and the Deputies belonging to the Opposition can intervene within the limits of the time of speech provided for each of their respective groups. The Opposition can intervene as it likes in the discussion of the chapters or articles—it is not bound in its initiative except by constitutional or regulatory limitations which are imposed on all Members of Parliament. "In French Parliament" as one writer put it, "political attacks by the Opposition parties or groups are usually launched against the Budget, since it is the most vulnerable spot in the programme of those controlling Government."

Generally the Parliament does not discuss the estimated

revenues, it happens, however, that Members of the Assembly or of the Finance Committee criticise the method employed by the Government to evaluate its estimates or contest the basis of the economic statements assumed in that process. It has happened sometimes that the Finance Committee obliges the Government to revise its evaluation or to substitute its own evaluation instead.

Members of Parliament can take the initiative for increasing or suggesting the imposition of new taxes, on the other hand in the matter of reducing or abolishing the existing taxes, the right of initiative is subject to certain restrictions. One of the restrictions is that either alternative receipts or compensatory economies should be suggested without which the suggestion will not be pursued.

Germany

In Germany, the first reading is opened by the Minister's speech introducing the budget (which is to take place by the 5th January each year) and, according to recent practice, continued at the following meeting of Parliament by the general debate. After the debate, the Budget is passed on to the Budget Committee of the Bundestag. The Committee discussions occupy several months. The second and third readings subsequent thereto take about a week.

The First and Third readings provide for a general debate which takes one or two days. No Member can speak for more than one hour at a time. It is a principle that especially in budget debates, wide scope should be accorded to the Members in their speeches. As in France, the Opposition in Germany has every opportunity of taking the budget as an occasion for political criticism of Government.

There is no restriction either on the scope of discussion of the estimates of revenue receipts. A member can suggest a change in the existing taxes or propose the levy of a new tax but it can only be by amendment of the tax law.

A private member's bill of this nature requires to be backed by 15 Members

Iceland

According to the Constitution, the Budget is introduced in the United Althing in October and passed in three readings and the programme for the debate is laid down in the Constitution. The Budget is the only Bill which is not subject to three readings in each House. At the first reading of the Budget, the Minister of Finance introduces it with a speech. It is then forwarded to the Finance Committee of the Althing. The main reading of the budget is the second reading which begins about 2 months after the introduction of the Budget. The changes and alterations to which the budget is liable come at this stage.

Besides the opportunities of criticising the Budget in the usual debates in Parliament, the Standing Orders provide for a general political debate which is broadcast during the first and third readings of the Finance Bill in Parliament. In this debate not only the Budget is discussed but the whole conduct of the Government. Each party has the same allotted time in the debates irrespective of its size.

A proposal for altering the existing duties and taxes cannot be moved by a Member as an amendment to the Budget Bill. For that purpose the Member would have to introduce a special Bill altering the existing law about duties and taxes.

India

There is no discussion of the Budget on the day it is presented to Parliament. The Budget is discussed in two stages. First there is the general discussion on the Budget as a whole. The discussion starts about a fortnight after

the presentation of the Budget and lasts for about 4 to 5 days. The Budget as a whole or questions of fiscal policy relating thereto are covered in this discussion.

After the general discussion, the second stage, namely, the discussion and voting of Demands for Grants commence. Separate days are allotted for each Ministry and the Demands relating to that Ministry are discussed at that time. The discussion and voting on Demands for Grants usually occupy about three weeks.

A similar time-table is followed in respect of the Railway Budget also which is submitted to Parliament separately. The general discussion lasts for 3 days and the voting of Demands for Grants another 3 days.

The procedure relating to the discussion on the Budget is laid down in the Rules of Procedure. The Speaker allots the number of days for general discussion and for the discussion and voting of Demands for Grants in consultation with the Leader of the House.

There is only a general discussion on the Budget in the Upper House (Council of States). It does not vote the Demands for Grants.

The Opposition are not given any special opportunities as such for criticising Government during the course of the Budget discussion. All sections of the House are allowed to participate in the debate and by convention representatives of all political parties and groups in the Opposition are given more opportunities to speak. By convention Members of the Ruling Party do not move cut motions.

The Estimates of Revenue receipts are included in the Budget which is discussed as a whole. They are not discussed separately like the Demands for Grants.

Any Member may make suggestion during the discussion of the Budget for enhancement of duties and the imposition of new taxes. The taxation proposals of Government are given effect to through the introduction

of the Finance Bill and during the consideration of that Bill Members may discuss the monetary or financial policies of Government. Members may table amendments to the Bill seeking to vary the rates of taxes included in the Bill. Amendments which seek to increase the limits of a tax proposed in the Bill require the recommendation of the President (Head of the State) before they can be moved.

Ireland

In Ireland, as soon as the Minister has concluded his Budget statement to the Dail, the House goes into Committee on Finance and considers the Financial *Resolutions. The programme for the discussion of the Budget is governed in general by Constitutional provision and by the Standing Orders of the Dail.

All the Financial Resolutions except the final one (relating to the amendment of existing law etc.) are decided on without any considerable debate. There is no restriction on the scope of discussion on the Financial Resolutions except such as may be imposed by considerations of relevancy to the matter in the Budget Statement.

The Votes for the Supply Services are discussed independently of the discussion on the Financial Resolutions. There is no formal allotment of time for discussion on the Supply Services, but the major portion of the time from the beginning of the financial year till July or August when the House adjourns for summer recess is taken up by discussion on the Votes and the Budget. The Opposition have full opportunity for criticising the Government in the course of the discussion on the Budgetary proposals and on the individual votes. As Parliamentary time is, however, limited, it is the practice for the Government and Opposition to have informal understandings as to what Votes will be taken with less discussion than others.

*The Financial Resolutions are specific taxation proposals which impose a charge upon the people and have temporary effect pending their enactment as provisions of the Annual Finance Act.

Any Member of the House may move for the rejection of or a reduction in any of the taxes proposed in the Financial Resolutions and may move amendments to the Finance Bill reducing the existing level of taxation. It is not, however, permissible for a Member, who is not a Member of the Government to move a motion to increase any charge on the people *i.e.*, to enhance an existing duty or impose a new tax.

Israel

Immediately after the introductory address of the Minister of Finance presenting the Budget, the debate begins in the Israelian Legislature. The Minister may not, however, open the debate until the text of the Budget has laid on the Table for 48 hours.

The time table for the general debate on the Budget is fixed by the House Committee. After presentation by the Minister there is the first reading or the general debate. Then, the Budget is referred to the Finance Committee who examines and submits a report to the House. The latter discusses the report and votes on amendments which have not been agreed in the Committee.

The discussions on the estimates of revenue receipts range over the whole field of Budget policy and fiscal programme.

Any member of the House can propose a change in the existing duties and taxes and also propose a new tax by means of a motion. But such a motion, if accepted, (which has never occurred) would necessitate that the statute upon which such estimates were based be amended or revoked by the usual Parliamentary process.

Italy

In Italy the time-lag between the presentation of the budget and the discussion in the two Houses is about two

months, which represents the time taken by the respective Committees* to examine the budgets and submit their reports

The general discussion on the Budget of the State takes place on the occasion of the joint examination of the budgets of the Ministries of Treasury, Finance and Budget

The Opposition is free to choose the subjects and the method of its criticism, to propose amendments etc., within the constitutional and regulatory limit.

The discussion relating to the estimates of revenues can cover all questions of fiscal nature

Each Member of Parliament can, in principle, propose enhancement and creation of taxes, but it is forbidden to adopt, by the Bill approving the Budget, any reduction, abolition or augmentation of the existing taxes or the levying of new taxes; for that, special laws have to be passed.

Luxembourg and Switzerland

The procedure followed in Luxembourg and Switzerland is more or less similar to that in Italy.

Netherlands

The discussion of the Budget begins with a general debate in the Second Chamber, based upon the Queen's speech delivered in the joint opening sitting of both Chambers. Immediately thereafter the Memorandum on the general financial situation presented by the Finance

*In Italy the Committees of each Chamber examine the Budget Bills of the ministries that are submitted to them. The Committee of Finance and Treasury examines the budgets of the Ministries of the Budget, Finance and of the Treasury while the Budget Bills of the other ministries are examined by appropriate sub-committees into which the Committee of Finance and Treasury is sub-divided

Minister is referred to the 'Sections' of the Chamber and is discussed. The House is divided into five 'Sections' by lot, each consisting of 20 members.

Bills of greater importance are referred to these Sections. Other Bills of a more technical character are referred to Committees of Members who are experts in the matter. For every 'Section' one member is appointed rapporteur, the rapporteurs draw up report containing the observations of the 'Sections'. The report is answered in writing by the Finance Minister. These documents are circulated to the members of the Chamber in early November and thereafter a general financial debate takes place.

In the meantime each chapter of the Budget (with the exception of those concerning the income of the Royal Family, the Parliament, the State Debts, etc.) is referred to the Standing Committee for the Department of the Minister who is responsible for that chapter. All or nearly all parties are represented in each of these Committees. These Committees also draw up reports which are again answered by the Minister concerned. A Committee cannot amend a Bill, but it may in its report suggest amendments, the decision is always taken by the Chamber as a whole. One by one the chapters come up for public discussion in the Second Chamber in November. In these discussions, members may raise all points relating to the policy of the Minister concerned, whether of a financial nature or not. The general political debate usually takes four days, the general financial debate 2 days, the discussion of the chapters together from 24 to 28 days.

As a rule the time available for every political group is restricted. There are no special privileges for the Opposition. Groups in the Opposition are allowed speaking time on the same basis as groups represented in Government. The members of the Opposition therefore have ample opportunity to raise any question they like.

Every member may also move a motion of censure. Amendments and motions must be seconded by four other

members at least. Motions are admitted also in the First Chamber, but this Chamber cannot amend Bills

After these chapters (each one of which is a separate Bill) are passed by the Second Chamber, they are passed on to the First Chamber where the same procedure is followed. As already stated above, the First Chamber can either adopt or reject a Bill, it cannot amend a Bill

Norway

Article 11 of the Standing Order contains detailed rules as to the discussion of the Budget. Within four weeks from the presentation of the Budget, the Finance and Customs Committee prepares a preliminary report on it (Budget Report I). This Report deals with the general lines of the budget, balance of incomes (taxes, duties etc) and has likewise to contain the Committee's opinion on these questions. There is a general discussion on its report for two days in the House. The individual items are submitted to the Special Committee (there are 12 such permanent Committees, the composition of which remains the same during the discussion of the Budget). The Special Committees have to submit their reports on the separate items by the 15th March. The reports will be collected by the Finance and Customs Committee and presented in a joint report to the House—Budget Report, Part II. Consideration of these reports by the House usually takes place from 15th April till about 15th June.

Lastly, towards the end of June, the Finance and Customs Committee prepares a Budget account, Budget Report, Part III, to be finally passed by the House. The discussions thus take place on three occasions. Ministers and Rapporteurs of the Special Committees are allotted 20 minutes for their speeches and others 10 minutes during the discussions.

While the Opposition can express its view in general terms in the course of the three discussions, it can also move amendments to each particular item in the Special

Committees (in which it is represented on a proportionate basis) Amendments inserted during the Special Committee stage are dealt with during the discussion in the House Amendments could also be moved during the discussion in the House

A Member of the House can make a proposal for a reduction or abolition or enhancement of any of the existing duties or imposition of new taxes

Pakistan

The Budget is dealt with by the National Assembly in two stages, namely, (i) general discussion, and (ii) voting of Demands for Grants

On a day appointed by the Speaker subsequent to the day on which the budget is presented and for such time as the Speaker may allot time for the general discussion, the National Assembly discusses the Budget as a whole or any question of principle involved therein, but no motion is permitted to be moved at this stage nor is the Budget submitted to the vote of the Assembly

The second stage, namely, the voting of Demands for Grants commences after the general discussion For the discussion of Demands for Grants not more than 15 days are allotted by the Speaker Of the days so allotted not more than two days are allotted for discussion of any one Demand As soon as the maximum limit of time for discussion is reached, the Speaker puts every question necessary to dispose of the Demand under discussion

Sweden

The budget is presented as a rule on January 11th or 12th, the budget debate takes place around January 20th It is a general discussion covering all aspects of Government activities and politics in general and lasts for a couple of days The budget is then sent to the Committees After

that, no deliberations take place in the Houses until the Committees have reported and the respective Houses then take final decisions.

The Committees are four in number. Committee on Supplies, Committee on Banking, Committee on Agriculture and Committee on Ways and Means. They are all joint Committees of both Houses with an equal number of members from both Houses, which in spite of the unequal number of members in the Houses is regarded as necessary to uphold the principle of the equal competence and power of the Houses. Supply matters are generally a matter for the Committee on Supplies, the Committee on Banking deals with the estimates for the Riksdag and its agencies and the Committee on Agriculture with estimates concerning agriculture.

In form the Committees have no specific power but have to report to the House as soon as possible on the matters submitted. They have no right to refuse to report but of course they are free to decide the contents of the report.

There is no general discussion on the Budget as a whole after the Committee stage. The various estimates are dealt with separately. As there are no restrictions on the freedom of debate, no strict allotment of time has been found necessary. The debates are on the whole devoted to the section of the Budget in question. Any Member may pick out any subject for discussion.

The procedure relating to the discussion of the budget is identical in both the Houses.

U S S R

According to the established practice in the U.S.S.R., the discussion in both Houses commences after the Budgetary Committees of the two Houses have submitted their conclusions and recommendations on the project of the Budget to the respective Houses. The discussion is

any reason the voting of the Budget goes beyond the commencement of the new fiscal year. The Austrian Constitution provides in addition for the so called automatic budget for the first two months of the fiscal year, whenever such a "Provisional budget" could not be voted by the National Council. The amount is computed at the rate of one-twelfth of the Budget Bill for each month subject to the condition that the maximum of the expenditure is limited to the amounts demanded by the Budget Bill of the Government. But so far recourse had not been taken to the provision regarding automatic budget in Austria. In Germany, the Constitution authorises the Federal Government, until the coming into force of the Budget Law, to defray all expenditure necessary for continuing current operations and even to borrow funds upto the amount of one quarter of the total amount of the previous budget. In the Netherlands if a Chapter of the budget has not become law before the first January of a financial year, the Minister is entitled to spend upto 1/3rd of the amount authorised in the various sections of the same chapter of the previous budget. In Sweden, the voting is to be completed before the end of the Spring session, that is by the 1st June. If contrary to expectations the Riksdag does not pass the budget or vote new taxes before the beginning of the new financial year, the former budget and taxes remain in force until the new Budget is passed and new taxes voted.

The basis of computation of the amount of 'Vote on Account' or 'Provisional Credits' varies from country to country depending on the period to be covered and the anticipated expenditure during the period. Actual expenditure in the preceding financial year is also taken as a guide. The 'Vote on Account' is further restricted to only such services as have already received the sanction of Parliament. In other words, it should not normally include expenditure on 'New Service' i.e., on items which have not specifically been approved by Parliament.

Usually no detailed discussion takes place in Parliament on 'Vote on Account' and the necessary legislation is pas-

sed without delay. If, however, in an extreme case Parliament rejects the 'Vote on Account' the consequences similar to the rejection of the main Budget will follow.

The next stage of budget discussion in the Legislature is the Voting of Demands for Grants or Supply of Credit, as it is differently called.

II VOTING OF GRANTS

In the majority of the countries the vote is taken for the gross amount. In Ireland and in the U.K. where a department expects receipts incidental to the ordinary course of its business and where these receipts satisfy certain conditions, it is the practice to allow the department to use them to defray part of its expenditure. Such receipts are known as Appropriations-in-Aid and exhibited as such under a distinct sub-head in the Vote relating to that department. Where a Vote carries an Appropriation-in-Aid sub-head, the Vote is for the net amount. The Appropriations-in-Aid are agreed to by Parliament and set out in the Appropriation Act. In Denmark and Israel, too, the Vote of Parliament is taken only for the net amount of each Demand. In the former country the auditors watch that the Department does not take advantage of excess recoveries or receipts, if any, under this sub-head to meet additional expenditure keeping the final expenditure within the net amount. In Israel, control is effected by a system of double entry of all receipts earmarked for specified expenditure, one entry being made in the Budget of the Ministry and the second in a list called the Third Schedule to the Budget. The Act itself provides a clause restricting the expenditure to the anticipated receipts specified in the Third Schedule. If receipts exceed the estimated income as specified in the Schedule, the Act provides that such excess may be used only with the approval of the Finance Committee.

The voting of Demands for Grants (expenditure estimates relating to Ministries) is usually taken up immedi-

ately after discussion in the House of the Budget on the basis of the recommendation of the Special Committees of the House charged with the examination of the Budget. In Australia the voting of demands is over by about the beginning of October. In Austria after the closure of the special debate, the voting of the different chapters of the Budget takes place. The National Council votes either immediately afterwards or at its next meeting the Budget in its totality (Third Reading). In Denmark, grants are voted collectively.

In France, since the reform effected by the organic decree of the 19th June, 1956, the entire budget forms the subject of distinct votes head-wise and ministry-wise as also of an overall vote at the end of the discussion. However, if the overall vote cannot come about before the 10th December of each year, the first part of the Finance Bill—which contains the general provisions permitting the starting of the recovery of imposts and taxes, the authorisations for borrowing and the allocations of the credits to the major budgetary heads (lit masses)—is separated from the rest of the Bill so as to be the subject of a distinct vote which must take place in both the Assemblies before the 1st January, the opening date of the financial year.

The House of the People in India votes the Demands for Grants pertaining to each Ministry separately immediately after the Minister-in-charge has replied to the debate. The Irish Parliament votes the Supply Demands collectively after the Committee on Finance submits its Reports on all the votes.

In Norway, Special Committees submit reports on various items of the Budget. These Reports are gathered by the Finance and Customs Committee and presented in a joint proposal to the House. The Reports on separate items are then considered by the House and put to vote. Usually their consideration lasts for two months. It is only after the Finance and Customs Committee had prepared a Budget account and got it passed by the Storting,

that the whole budget and the votes, temporarily agreed to by the House, become final.

In the Netherlands, the budget estimates relating to the various Ministries are voted by the Second Chamber immediately after the discussion and as soon as a chapter has been voted, it is passed on to the First Chamber. The latter can immediately start to examine it, but usually it prefers to wait until all the chapters have been adopted by the Second Chamber. In the Second Chamber, the voting of the separate sections of a Bill is followed by the voting of the Bill as a whole. The First Chamber only votes the Bill as a whole as it cannot amend Bills.

In Sweden, both the Houses deal with the various estimates at the same time. Votes are taken at the Third Reading of the Committee report with or without, as the case may be, discussion.

In U.K., the grants are voted occasionally immediately after discussion but in general not until the supply guilottes in March and July fall.

In Pakistan, the Demands for Grants relating to each Ministry are voted upon separately after the Minister-in-charge has replied to the Debate.

12 CUT MOTIONS

In almost all Parliaments motions may be moved by a Member to reduce any Demand for Grant (Vote or Supply as it is differently called) by what may be called cut motions*. The privilege to move motions for increasing a Demand for Grant is only allowed in certain countries (†Austria, Belgium, Germany, Iceland, Italy, Luxembourg, the Netherlands and Switzerland) and subject to certain

*A cut motion is a motion for the reduction of the votable heads of expenditure of the Demands for Grants submitted to the vote of the House. Cut motions may be either for disapproval of policy or for effecting economy or for a token cut in order to ventilate a specific grievance under a Demand for Grant.

†In Austria any Senator may move a request for an amendment to increase a Demand for Grant.

restrictions, but in U S S R there are no restrictions whatsoever. In the Netherlands, any five Members can, by way of amendment, propose an increase to the estimates or a particular item thereof, but even if such an amendment is adopted Government is not obliged to spend the increased amount. If an amendment to increase a particular item has been proposed and carried out with the express intention that the Government will spend the whole sum, refusal to do so would mean a conflict between the Government and the *Second Chamber.

In Austria, each Deputy can make a proposal for increasing the Demand in the Committee stage, in plenary session such a proposal must bear the signature of eight Deputies. In the Belgian Parliament any amendment to a Budget Bill coming up through the initiative of one or more Members and calculated to increase the expenditure has to be addressed to the President within a week of the distribution of the report on the Budget to which the amendment relates, if the discussion on the Budget is then in progress, the amendment should be tabled before the end of the general discussion.

In Germany, while such amendments increasing the supply can be made in the second reading, in the third reading they require to be backed by 15 Deputies. In Iceland it is done by amendments in the usual form. In Israel an amendment to increase an item is presented first to the Finance Committee and, if defeated, may, if the Member desires, be re-introduced when the Budget is before the Plenum. In Italy, according to the existing practice, amendments seeking increase of the credit assigned to a Ministry or a particular chapter of the Budget can be moved by a Member of either House before the final approval of the general statement of Revenue and Expenditure attached to the Budget of the Ministry of the Treasury. Such amendments should be balanced by corresponding reduction in case they are brought up after the approval

*The term "Second Chamber" usually applies to the Upper House of legislature. In Netherlands, however, the term applies to the Lower House.

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can propose a particular Bill which
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any proposal for increase in expendi-
more than five members. In Switz-
increasing a demand must be by a
the President in writing.

As regards the form of cut motio-
all countries. It would be sufficient
ductions in some Parliaments—Ind
Sudan and the U K, in others not
France, the reduction must be by a
procedure of tabling cut motions is
in Belgium. In Germany, on princ-
down any particular estimate should
Implied proposals for cuts in the b
The practice of proposing indicative
view to expressing criticisms or draw
administration to certain points is n
Italy. Administrative and political
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proposing of amendments. The sec-
making cut motions is usually unli-
It can vary from a particular item
embodied in the vote.

13 APPROPRIATION

Voting of the expenditure estim-
Grants of the Government

expenditure, and passing of the Bills simultaneously constitute sufficient authority for the Executive to incur expenditure upto the amount voted by Parliament. So, no further legislative action is required. For instance, in the Netherlands every chapter in the Budget is voted separately and there is no voting for the total expenditure. After being adopted by both the Chambers, the Bill is signed by the Queen and by the Minister who is responsible for its execution. It becomes law after its publication.

In a few countries, however, the legislative action of Parliament is not complete with the voting of the expenditure estimates. For instance, in Switzerland, at the end of the Budget discussion, each House has to vote what is termed "Vote on the Whole"—"Federal Order concerning the budget of the Swiss Confederation for the year." This Order indicates the total amount of expenditure and the total amount of revenues.

In Australia there are two Appropriation Bills—one for the ordinary annual services of the Government and the other for capital works expenditure. In addition, there are a series of special appropriation Acts for expenditure of a continuing nature.

The House of Representatives alone has the power of initiation of laws appropriating revenues or moneys. A private member cannot move an amendment which would increase the appropriation. A Minister has the power to move such an amendment but the proposed increase must be covered by a recommendation by the Governor-General. When the Appropriation Bill is passed by the House of Representatives, it is forwarded to the Senate for its concurrence. On the first reading of the Appropriation Bill in the Senate very wide debate similar to that on the first item of the estimates in the House of Representatives takes place. Where, however, an opportunity had already been provided in the Senate for a full debate earlier on the printing of the estimates and budget papers, it is not usual to have another full debate on the first reading of the Appropriation Bill.

The Bill appropriating revenue or moneys for the ordinary annual services of the Government cannot be amended by the Senate, the Senate may, however, at any stage return to the House of Representatives any such Bill requesting omission or amendment of any items or provisions therein but not requesting the insertion of a new item. Such requests may be pressed by the Senate if not agreed to by the House of Representatives. But in the case of appropriations (Works and Services) Bills which are deemed to be not for the ordinary annual services of government, the Senate has unquestionable power of amendment. The Senate may amend such Bill so as to reduce the proposed expenditure or leave out a vote.

But the Senate's power of amendment on this or any other Bill is always subject to the constitutional limitation that it may not amend any proposed law so as to increase any proposed charge or burden on the people.

In Sweden, the Appropriation Bill shows the final settlement of the Budget summarising expenditure approved and suggesting the taxation. Both Houses have equal competence and power with regard to this Bill. There is usually a general financial debate on this Bill.

In India, Pakistan, Sudan and the U K, there is an "Appropriation Bill*." The procedure for consideration of the Appropriation Bill is the same as for Bills generally.

Both the "Appropriation Bill" (in India, U K, Ireland and Sudan) and the 'vote on the whole' (Switzerland) are discussed by the Houses of Parliament. In Switzerland the discussion is brief in view of the fact that the order contains only the total amounts resulting from the discussions of the chapters.

*A Bill to provide for the appropriation out of the Consolidated Fund of the State of all moneys required to meet —

(i) the grants made by the House

(ii) the expenditure charged on the Consolidated Fund but not exceeding in any case the amount shown in the annual financial statement laid before Parliament

Under the Indian Constitution an Appropriation Bill is also necessary for the "Vote on Account" which is considered and passed by Parliament before the commencement of the financial year. The "Appropriation Bill" introduced at the end of the voting of the Demands applies to the remaining sum only.

In Ireland the amount "Voted on Account" ($\frac{1}{3}$ of the total amount) is made available to the Government by the Central Fund Act. The Appropriation Act makes available the balance of the further sums voted by the Dail out of the Central Fund and appropriates to the proper Supply Services and purposes these sums and the sums already granted by the Central Fund Act.

In the U.K. there is what is called a "Consolidated Fund Bill" authorising expenditure up to the amount "Voted on Account". Its operative clause enacts that the Treasury may issue out of the Consolidated Fund the lump sum voted and apply it towards making good the supply granted to Her Majesty for the services of the ensuing financial year.

The scope of the debate on the Appropriation Bill in India is restricted to matters of public importance on administrative policy implied in the grants covered by the Bill which have not already been raised while the relevant Demands for Grants were under consideration.

In Ireland it can embrace any matter for which money may be spent as a result of the enactment of the Bill. In Sudan, the scope is unlimited. In the U.K. discussion of the Bill is permissible in both the Houses. Debate on the stages of the Appropriation Bill must be relevant to it and confined to the conduct or action of those who receive or administer the grants specified in the Bill. In general terms, any question of administrative policy may be raised which is implied in such grants. In India the Appropriation Bill as passed by the House of the People is discussed and passed in the Council of States (Upper House). No modification is made in that House. Until the Appropriation

Bill as passed by the Two Houses has been assented to by the President and becomes law, no money can be withdrawn from the Consolidated Fund)

The Seanad in Ireland considers the Bill after it has been initiated and passed by the Dail. While the Seanad can move recommendations, not amendments, since the Bill is a Money Bill, it would be very unlikely that a recommendation of the Seanad to modify an amount in the Appropriation Bill would be accepted by the Dail.

In the Sudanese Parliament the Upper House can modify the amount of Appropriation Bill as voted by the Lower House by a token reduction. If it rejects the Bill, it will be delayed for three months.

The House of Lords in the U.K. cannot amend the Bill, but they can (in theory) reject it.

14 FINANCE BILL

A Finance Bill deals with imposition, abolition, remission or regulation of taxes and it has to be dealt with and passed by Parliament* before the proposals therein could be enforced. Such proposals can either be tabled along with the budget estimates and approved by Parliament or at any subsequent time depending on the economic and fiscal situation in the country. **Generally it is usual to present them either with the Budget (as in India, Norway, Pakistan) or during the discussions on the Budget (as in Iceland and France). The Bill embodying the proposals is discussed and the requisite law is enacted as in the case of any other Bill to enable the Executive to bring them into force.

In Australia, Bills appropriating revenues or moneys and Bills imposing taxation are generally referred to as

*In Switzerland any Bill seeking to modify the taxes is to be submitted to a referendum of the people.

**In Germany, Finance Bills are presented and discussed separately from the Budget.

Money Bills The Constitution makes special provisions (protection for the Senate) in respect of these Bills. These are against what is known as "tacking". For instance, any proposed law which appropriates revenue or moneys for the ordinary annual services of the Government shall deal only with such appropriation. Again laws imposing taxation shall deal only with the imposition of taxation and any provision therein dealing with any other matter, shall be of no effect. Such laws should not originate in the Senate.

The Bill imposing taxation is considered first by the Committee of Ways and Means into which the House will resolve itself. The Committee reports to the House and the resolution for Ways and Means is adopted. A Bill is then brought forward to carry out the resolution and is passed through the normal stages in connection with the passage of a Bill. The Bill, when passed, is forwarded to the Senate for its concurrence. A Bill imposing taxation cannot be amended by the Senate. The Senate may however at any stage return to the House of Representatives any such proposed law, requesting the omission or amendment of any items or provisions therein but not requesting the insertion of any new item. Such requests may be pressed by the Senate if not agreed to by the House of Representatives. Any private Senator may move a request for the increase of a tax rate or duty. (The right to move amendments having this effect is the prerogative of Ministers only in the House of Representatives).

Quite often proposals relating to changes in customs duties and excise tariff require immediate enforcement without waiting for the relevant Bill to become law. This is given effect to in the U.K. by appending a declaration to each Financial Resolution to which it is applicable that that Resolution has statutory effect under the Provisional Collection of Taxes Act*, 1913, and this gives the Resolution statutory force for 4 months.

*This Act does not, however, apply to the imposition of new taxes, if they are to be collected immediately before the Finance Bill embodying them becomes law, it is done under Section 6 of the Finance Act, 1926.

In Australia taxation proposals requiring immediate enforcement contain a clause in the legislation 'Time of imposition of duties of Excise' which prescribes the specific commencement time

In Belgium, Norway and Sudan, the Constitution or Standing Orders of the Legislatures, confer certain powers on the King/Government as indicated below

In Belgium, the law confers certain powers on the King in the matter of indirect taxes. The royal decree issued in certain cases [under Art 84 (2) (b) (c) of the Code of Taxes] must be submitted to the Legislature, with a view to ratification immediately, if they are in session, or otherwise in the very next session

In the Netherlands, there is no distinction between Money Bill and other Bills. The only distinction is that according to the introduction by a Minister or a Member. Although all Members of the Second Chamber have a right to introduce Bills, they rarely use it. Any proposal for new measures of taxation or modifications in the existing tax structure is presented in the form of a Bill in the same way as other Bills. It is introduced in the Second Chamber under cover of a Royal Message. The Bill is accompanied by an explanatory memorandum. Usually such Bills are referred to the permanent Financial Committee of the Second Chamber, sometimes to an *ad hoc* Committee or to the 'Section'. After its adoption by the Second Chamber, it is transmitted to the First Chamber. There it is referred to the 'Sections' or exceptionally to an *ad hoc* Committee. The First Chamber cannot suggest modifications in any such Bill.

In Norway although the prerogative of the House to impose taxes is exclusive, under Article 17 of the Constitution, the King may issue and repeal regulations concerning customs. This provision, however, is interpreted in a way giving him the right only to repeal or lower tariff rates. A regulation of this kind must not be at variance with the

laws passed by the House, and shall operate provisionally until the next "Storting" assemblies

In Sudan, taxes can be imposed by provisional orders to take effect from the day on which the Bill for the proposals is presented to the House of Representatives or during a Parliamentary recess. Such orders are considered in a Parliamentary Committee called the Committee on Delegated Legislation which reports to Parliament. Also such orders must be presented for confirmation as soon as practicable.

In Ceylon, under the Revenue Protection Ordinance, the Minister of Finance may impose or increase import or export duties by an administrative order. Such an order remains in force for a period of four months, before the expiry of which the new duty has to be confirmed either by legislation or by a Resolution of Parliament under the Customs or Excise Ordinance. If at the end of four months the order has not been confirmed, it lapses and any duty collected under it has to be refunded.

In France and Luxembourg, taxes cannot continue to be collected without authorisation by Parliament every year. If this is not done before the commencement of the next financial year, Parliament authorises the Government by special laws ("Provisional twelfths") to make a pre-levy of the existing direct and indirect taxes on 31st December for the next financial year. This procedure was, however, changed in France in 1956. Since then measures have been taken in France to ensure that the annual authorisation to collect the revenues should always be given before the commencement of the financial year.

In Iceland the Taxation Bill contains a provision ordering the immediate enforcement of taxation or enforcement from a certain date. Such Bills are usually passed in a very short time, sometimes in a day, and come into effect on the next day.

In India, the procedure is more or less similar to that in the U.K. the declaration under the Provisional Collection

of Taxes Act given at the end of the Finance Bill gives the necessary statutory backing for the imposition or increase in the duties of customs and excise for a period of 60 days from the date of introduction of the Finance Bill.

In Ireland, a Resolution of the Committee on Finance of the Dail embodying taxation proposals is given immediate statutory effect for a limited period if it contains a declaration under the Provisional Collection of Taxes Act, 1927, that it is expedient in the public interest the Resolution should have statutory effect. Such a Resolution ceases to have statutory effect in or upon the happening of certain Parliamentary events among which are disagreement by the Dail to the Resolution within ten sitting days after the Resolution is passed by the Committee of Finance, and expiration of a period of four months from the date on which the Resolution has taken effect.

In Israel, the Customs and Excise (Variation of Tariff Law) lays down that every provision raising the existing tariffs or creating new changes, takes effect from the date of publication in the Official Gazette. Such publication is effected by means of an Order signed by the Minister of Finance. Parliament's approval has to be obtained within 2 months following the date of publication.

In Sweden Finance Bills are treated as any other Bill but they have to be introduced and passed, if possible within 70 days. Both Houses have equal competence and power with regard to such Bills.

If the two Houses do not agree on a budget matter both Houses vote separately on the different decisions reached by them. The opinion receiving a majority of the aggregate number of votes of both Houses constitute the decision of the Riksdag. No House can force a decision on the other.

In Italy, in extraordinary cases of necessity and urgency which make it indispensable that changes be made in the customs duties and the indirect taxes (snap decrees), the Government is authorised by article 77 of the Constitution.

to introduce immediately new measures by means of an Order in Council, which comes into force on the date of its publication in the Official Journal but which must, on pain of lapsing, be presented the same day to Parliament for being converted into law within a period, which may not be extended, of sixty days of its publication

In Pakistan, the procedure is identical to that obtaining in India

15 SUPPLEMENTARY GRANTS

In almost all the countries, no expenditure in excess of the sums authorised in the Budget by Parliament can be incurred without obtaining fresh supply from Parliament. This is done by presenting to Parliament a Supplementary* Estimate and the procedure followed in Parliament in regard to it is more or less the same as is adopted for the passing of the Expenditure Estimates included in the Budget

Power has been delegated in certain countries to the Executive to divert funds, within specified limits and subject to certain conditions between units, Chapters and Votes. Generally, transfer of funds between units within a Chapter, Vote or Demand can be effected by the Administrative Ministries in charge of the same. The only restriction is that if the transfer is to a new item, such item should be within the scope or ambit of the Chapter, Vote or Title. In Iceland this power rests with the Minister of Finance. In Switzerland, transfers between subjects within a Chapter are not permitted. In the Netherlands, ministers have no powers to reappropriate funds from one Budget chapter to

*In *France* such demands for additional or supplementary grants are grouped in a special Bill called "Collectif" (Besides, the Bill contains generally annulments of credits which more or less serve to compensate for these grants)

In *Italy*, this takes the form of one or more bills entitled "Note of variation of the estimate of revenues and expenses of the various Ministries". The Constitution lays down, however, that every new expenditure or any increase in the expenditure proposed after the approval of the budget has to be counter-balanced by an increase of the corresponding revenues by means of special laws

another or from one Sub-head to another within the same Chapter, unless such powers have been expressly conferred. In every chapter of the budget a large number of sections are marked with an asterisk. This means that funds authorised under the section for incidental expenses, may be used, if the amounts authorised under these sections are insufficient. As, however, the funds for incidental expenses are very restricted in most cases supplementary credits will have to be asked for.

It is, however, not permissible to re-appropriate funds from one Chapter, Vote or Demand to another. If the expenditure authorised by Parliament in a particular Demand/Chapter is to be exceeded, invariably a Supplementary Estimate has to be presented to Parliament for authorising additional supply. In a few countries, Parliament has expressly allowed the transfer of savings by the executive from one Demand/Chapter to meet excesses in another Demand/Chapter. For instance, in France Parliament often authorises Government to effect by decrees transfers from Chapter to Chapter under certain conditions, notably that they should be submitted to the Parliamentary Committee of Finance. Such provisions are usually included in Bills fixing military credits.

In Australia the vote sets out in separate lines gross expenditure recoveries and net amount of vote. Departments are not permitted to amend the amounts quoted in each line without Treasury approval. It is the function of the Auditor General to watch this requirement. To provide funds for new or urgent services, pending the passing of further appropriation, the Treasurer can advance from the vote 'Treasurer's Advance'. A further appropriation should be obtained during the course of the financial year to validate this expenditure.

In the United Kingdom the annual Appropriation Act gives the Treasury power to authorise temporary application of a surplus on any Vote to meet an excess on any

other Vote in the case of Service Votes, and in the case of Civil Votes, the Treasury have powers to "vire" between sub-heads provided that the total amount of the Vote is not increased and that no "new service" is introduced

The questions whether in a case the power of re-appropriation (within the Grant in India or virement in the U K and Ireland) should be exercised or whether Supplementary Estimate should be presented to Parliament is a matter to be decided by the Ministry of Finance/Treasury and that Ministry/Treasury is guided in its decision by the nature of the service, the amount involved and by what it considers the wishes of Parliament be in the matter. In India, if there is any doubt in the matter, the Government should consult the Comptroller and Auditor-General, in case there is a difference of opinion the matter should be referred to the Public Accounts Committee

16 CONTINGENCY FUND

It is not unlikely that Government may have to incur an unforeseen and emergent expenditure not contemplated in the budget, which cannot be met by re-appropriation and which cannot wait till Parliament votes the necessary supplementary supply, especially when it is in recess. To meet such a contingency in many of the countries* they have what is known as a "Contingency Fund". In some countries, it goes by the name of Reserve Fund. Mostly it is a fund under the control of the Treasury/Ministry of Finance. Advances are made by the Treasury to meet unforeseen and emergent expenditure. The Ministries receiving the advance should, in due course, invariably approach Parliament for a Supplementary Demand and pay back the amount to the Contingency Fund. Specific rules for the drawal of money from the Fund exist.

In Australia, the Appropriation Act contains a vote

*Exceptions are Austria, Belgium, Denmark, Germany, Iceland, Israel, Luxembourg, the Netherlands, Pakistan and Switzerland

'Treasurer's Advance' to enable the 'Treasurer to advance funds for new or urgent services. Such advances will be recovered within the financial year by passing the necessary Appropriation Bill. The vote 'Treasurer's Advance' lapses at the close of each financial year (as distinct from the Contingency Fund in India which does not lapse)

In Austria, where there is no Contingency Fund, additional expenditure to be incurred on an object for which credit has already been voted by Parliament, can be obtained either by a transfer of a credit allocated to another article of the Budget or by an excess credit for which previous authorisation of the Minister of Finance should be sought. The Minister of Finance makes a periodical report in this behalf to the National Council. (This is done twice a year). The same is the case in Germany, except that the periodical report has to be submitted to the Bundestag every quarter of a year.

If the extra expenditure is in respect of a new purpose not included in the original budget, a supplementary budget should be presented to the Parliament.

Similarly, in Denmark, the various Ministries must submit demands for supplementary grants in the course of the year to the Standing Finance Committee of the Folketing for approval if the Ministry wanted to defray expenditure (for which they had not been granted the necessary statutory powers). If the Finance Committee agrees to the grant, the Ministries concerned incur the additional expenditure. Every year about the 1st April, Supplementary Appropriation Bill relating to the past financial year is submitted to Parliament. The form of this Bill clearly follows the Finance Act of the year in question. The chief object of the Supplementary Appropriation Bill is to sanction formally the grants already agreed to by the Finance Committee.

In France there is a special chapter under the Ministry of Finance Budget assigned to "eventual and accidental

expenditure" Expenditure met out of this Chapter which is voted every year need not be reimbursed

In Iceland, Parliament is not asked for further supplies to meet anticipated additional expenditure The Minister of Finance takes the responsibility for ordering payments The Minister of Finance then presents a Bill to Parliament named Supplementary Budget, containing all the unauthorised expenditure of the financial year in question, asking for the Parliament's approval of such sums paid already The Supplementary Budget is subject to the same procedure in Parliament as the annual Budget The Supplementary Budget Bill is in fact only an approbation of an action already taken

In Italy there are two types of Funds One is styled the "Reserve Fund for unanticipated expenditure" to meet certain types of expenditure (which could not be anticipated entirely or in part at the time of the compilation of the estimates etc), provision for which is made in the estimate of each budgetary year relating to the Ministry of Treasury The other is called the "Reserve Fund for obligatory expenditure and expenditure for Order" Expenditure can be incurred from these Funds only by decrees of the President in some cases and by the decrees of the Ministry of Treasury in certain other cases These decrees have to be presented to Parliament in certain instances for validation by means of an express Bill There is no question of recoupment of these Funds

In Japan, the Reserve Fund is included in the annual budget and is approved by the Diet There is no system of repayment to or recoupment of this Fund A statement showing the amounts paid out of this Fund is submitted to the Diet for approval

In the Netherlands, each chapter of the Budget contains an item "incidental expenses", besides there is a separate chapter for such expenses If these credits are exhausted, the Minister is not entitled to spend amounts not voted by Parliament However, the Minister will see to it that a

Bill for a supplementary credit is introduced in good time. While asking for supplementary grant, the Minister concerned will inform the Chamber that he has already spent a part of the sum he is asking for. In exceptional cases the Minister concerned can obtain the Finance Minister's consent to spend the necessary sums, but both Ministers do so on their own risk. If the expense was really necessary, Parliament will always approve it afterwards by granting a supplementary credit, but the proposal for such a grant may give rise to lively debate and severe criticism.

In Sudan, each Ministry has a Contingency Fund for meeting unforeseen expenditure. The Fund is not to be recouped.

In Sweden, each ministerial head includes a small contingency grant. Moreover there is a contingency grant for the whole administration which can be exceeded should the King-in-Council deem it necessary. Of the conditions governing this grant, the most important is that the King-in-Council should report immediately in detail at the next session of the Riksdag, expenditure authorised from the grant.

In U S S R, each year, the budget provides for a Contingency Fund of the Government of the U S S R intended to meet urgent needs which could not be taken into account at the time of the presentation of the budget. Expenditure incurred by charging to the Contingency Fund is shown in the report on the Execution of the State Budget of the U S S R submitted to the Vote of the Supreme Soviet.

CHAPTER III

EXECUTION OF THE BUDGET AND THE CONTROL THEREON BY PARLIAMENT

17 EXECUTIVE GOVERNMENT

The execution of the Budget is the responsibility of the Executive Government and there is a fairly general similarity in the system adopted by all the countries in this matter. Although the custody of the Public Fund vests in the Ministry of Finance/Treasury and ordinarily funds are issued with the sanction of the Ministry of Finance/Treasury there is a certain amount of flexibility introduced—it is both essential and desirable—so that the system can work smoothly and efficiently. Accounting systems have been designed by each country with distinctive features of their own. The accounts of the State are maintained by the Executive Government. There are internal auditors* in each Ministry or Department or for a group of Ministries or Departments, whose function it is to see that the expenditure does not exceed the sum voted by Parliament and the amounts made available are directed to the purpose applied for. These internal auditors are under the control of the Executive Government.

18 COMPTROLLER AND AUDITOR-GENERAL

However, it is but right and proper that Parliament having been called upon to vote large sums of money

*In Austria they are called Commissioners for Economics, in the Netherlands every Ministry has its own Accountancy Department which audits all accounts of the Ministry. The internal audit sections are supervised by the Central Accountancy Department of the Finance Ministry, in the United Kingdom, the internal Auditor is called Principal Accounting Officer and the Permanent Secretary of the Ministry is himself the Principal Accounting Officer normally.

should expect that the moneys voted are directed for the purposes intended and are administered prudently and economically and that it (Parliament) should in due course be given a detailed account of how the moneys have been spent by an agency directly responsible to it and independent of the Executive. There is such an agency in almost all the countries—the Comptroller and Auditor-General in India, Ireland, Pakistan and the United Kingdom, the Auditors and the Auditor-General in Norway, the Auditor General in Australia, the State Auditors in Denmark and the Court of Accounts in Austria, Belgium, France, Germany and Italy, the General Board of Auditors in the Netherlands.

The Comptroller and Auditor General in U K is appointed by the Crown under a Royal Warrant, in India, Pakistan and in Ireland he is appointed by the President (the Head of the State). The Comptroller and Auditor General is independent of the Executive and is for all purposes an officer of the Parliament. In Norway the Auditors and the Auditor General are appointed by the Storting. The Members of the Court of Accounts are all elected by the Parliaments of the respective countries. The General Board of Auditors consists of three persons appointed for life by the Crown in the Netherlands.

19 REPORT OF THE COMPTROLLER AND AUDITOR-GENERAL

The accounts compiled by the Executive are examined by the Comptroller and Auditor-General or the corresponding agency and reports thereon are submitted by the Comptroller and Auditor-General or the corresponding agency as mentioned above to the respective Parliaments in respect of each financial year after the close of that year. The interval ranges from 3 or 4 months in Australia, 7 months in Italy to 18 months in Denmark. These Re-

ports bring out not only financial irregularities but also cases of wasteful, nugatory or infructuous expenditure

20 COMMITTEE ON PUBLIC ACCOUNTS

In many of the countries the Accounts and the Audit Reports thereon being too voluminous for Parliament to spare the time for their consideration are invariably scrutinised by special Committees of Parliament—*e g*, the Public Accounts Committee in Australia, U K, Ireland, India, Pakistan, Finance Committee in Israel, Committee of the Court of Accounts in Austria, Budget Committee in Germany and the Protocol Committee in Norway. The Reports of these Special Committees are presented to the House. Although it is not obligatory on the part of Government to accept all the recommendations contained in these Reports, in practice, however, most of them are accepted or at least taken into account by the Governments concerned. In countries like U K and India, the Government and the Public Accounts Committee strive to arrive at an agreement, but if an agreement is not reached, the views of both the Executive and the Committee are placed before Parliament.

21 REPORTS OF THE COMMITTEE

These Reports are rarely, if ever, discussed on the floor of the House. Neither the work of the Committee nor the control exercised by Parliament, however, suffers by reason of this. The publicity which the Committee is able to give to the questions and the moral effect of its criticisms do create a fear of Parliament into Government departments that they will be called upon to account before a Parliamentary Committee on a future date. The departments, therefore, take care to avoid irregularities.

A question may be asked 'Is there anything more in this than a grandiose *post mortem*'? As observed by Sydney

Webb,—the fact that *post mortem* examination does nothing to keep the patient alive is no proof that the existence of a system of *post mortem* examination does not prevent murders” Indeed, *post mortems* have done a great deal in bringing medical science to its present state of efficiency

22 COMMITTEE ON ESTIMATES

In addition to the standing committees of Parliament for considering the Budget Estimates, there is another Committee called the Estimates Committee in the U.K. in India. This Committee is appointed at the beginning of each session for considering the Estimates in detail for one or more Ministries/Departments and to suggest the form in which the estimates should be presented to Parliament and to report what, if any, economies consistent with the policy implied in those estimates may be effected there in. Reports are submitted by this Committee to Parliament periodically. As the Committee has to examine estimates which have been presented to the House and to give mature consideration by Ministries and pruning by the Treasury, it will obviously be very difficult to suggest substantial economies. But the Committee can make its influence felt in many directions, for instance, the Committee examines the organisational set-up, methods of disposal of work, procedures for implementing policies, methods of recruitment, execution of works, etc., and in doing so it makes valuable suggestions for avoiding waste, improving efficiency and speed in methods of work etc. The existence of such a committee itself acts as a check against any wasteful methods and the administration being conscious of its accountability to such a Parliamentary Committee is also conscious of its duties in these matters. It may be stated here that the Estimates Committee, both in India and U.K., examines the officials of Government on any matter before it and thus the feelings of Parliament in regard to a particular matter concerning a department are directly made known through this Committee to that Department which is ultimately concerned with administration and expenditure.

23 SYSTEM OF CONTROL BY COMMITTEES

The set-up in the different countries is described below —

Australia

The Commonwealth Public Account which includes all public moneys is kept with the Commonwealth Bank of Australia. The Audit Act 1901–1955 governs the receipt and payment of and the accounting for, public moneys. The Treasury has branches in the capital city of each State and Territory. The Crown on request from the Treasurer Provides Executive from time to time with funds to meet its cash requirements. This authority is conveyed by Governor General's Warrant.

Some control over the supplies is exercised by the Treasury by means of the issue of Warrant. Authorities mentioned above.

The Auditor-General is statutorily required to ascertain that moneys disbursed were covered by a Parliamentary appropriation. He reports direct to Parliament. In recent years the report has been submitted within the first four months of the fiscal year.

The report is examined by the Public Accounts Committee (constituted under the P A C Act, 1951). This is a Joint Committee of both Houses consisting of three members appointed by the Senate and seven members appointed by the House of Representatives. The members continue to hold office (subject to certain disqualifications) until the end of the Parliament by which they were appointed. The work of the Committee is to conduct what might be called an efficiency audit of expenditure from the Commonwealth Consolidated Revenue Fund. Its function is thus essentially investigatory and critical and its medium of action is through its reports to the Parliament. These reports are presented to both the Houses of Parliament. There is no regular schedule of the presentation of Reports from the Committee. None of the Reports have, as such, been debated in either House of Parliament.

But members on occasions use the material in them in the course of debate. The Committee is assisted in its enquiries by the Auditor-General and his representatives. Matters commented upon by the Auditor-General in his reports are taken up by the Committee. On any other occasions the Auditor-General may provide the Committee with information about the subject of investigation.

One of the important functions of the Committee is its annual examination of the supplementary estimates (which corresponds to the excess votes in India) to cover expenditure over and above those voted by the Parliament at the beginning of the financial year.

In Australia there is no Estimates Committee.

Austria .

The Ministry of Finance is charged with the financial operations of the Government. In each Ministry there is nominated a "Commissioner for Economics" who is directly responsible to the Ministry of Finance and who exercises control of the administration from the point of view of its economy and efficiency.

The Court of Accounts which is of the same rank as a Ministry but independent of the Government is entrusted with the work of controlling the entire financial administration of the public funds on behalf of Parliament. To that end it can call for any or all information from all the authorities that have anything to do with the administration of public funds. It can also conduct examination or enquiry on the spot. It sends every year a voluminous report on its activities to the National Council.

A special Committee called the Committee of the Court of Accounts consisting of 24 members studies the Report of the Court of Accounts. After examination of the Report this Committee refers it to the National Council in full session. The debates in full session close with a resolution whereby the Council approves the report of the Court of Accounts. If necessary the National Council adds direc-

tions in regard to the future activity of the Court of Accounts and it may also address to Government certain resolutions bearing on the financial administration of the State, which assume the form of expression of wish

The Court of Accounts is also charged with the preparation of a table of the results of the entire fiscal administration of each year according to budgeting chapters. This is called the Fiscal Account of the Federation

Belgium

The voting by Parliament of the budgets constitutes for Government the authorisation of the expenditure. Every category of expenditure, other than fixed expenses, salaries, pensions, etc., are submitted to the previous endorsement of the Court of Accounts. (The members of the Court of Accounts are elected by the House of Representatives alone)

The National Bank of Belgium transacts the cash business of Government. It is the treasurer of the State and in that capacity is subject to all the obligations prescribed in the case of public accounts, which are not incompatible with its constitution as a limited liability company. In each department of Government, there are functionaries charged with the supervision and control (audit) of the accounts. These internal auditors are not subject to the jurisdiction of the statutory audit.

The Court of Accounts is the organisation for statutory audit. It examines and audits the national account and in particular makes sure that the appropriation agreed to by Parliament has been strictly observed. It presents annually the audited accounts, and its observations thereon to Parliament. The date for the presentation of this Report is not specified by law and varies from year to year.

The Report of the Court of Accounts is presented direct to Parliament. It is usually not discussed by Parliament. Each Member can eventually put questions to Government on the basis of the calculation that he might have formed on a study of the Report.

Ceylon

The Permanent Secretary to the Treasury is, in practice, holding custody of the Consolidated Fund. No money can be withdrawn from the Consolidated Fund without the authority of a Warrant issued by the Minister of Finance.

Cash business of Government is transacted by the Central Treasury which has branches in all the provincial capitals of the country and in certain towns as well. Occasionally other Government Offices are authorised to accept cash and to remit the amounts to the Treasury.

The accounts are maintained by Government. In comparatively bigger Departments, there is a system of internal audit conducted by Officers under the control of those Departments.

It is the duty of the Auditor-General, on behalf of Parliament, to see that supplies authorised are spent on purposes for which they are meant. He further reports on cases of mismanagement, extravagance or dishonesty that come to his notice in the course of audit. His Report on the Appropriation Accounts which is actually presented to Parliament 9 months after the close of the financial year, is examined by the Public Accounts Committee which consists of 7 Members and in which representatives of all parties are in proportion to their strength in the House.

Usually three Reports are submitted by the Public Accounts Committee during a session. These Reports are not usually debated* by Parliament. The recommendations of the Public Accounts Committee are always treated with respect by Government and many of these are adopted. The decisions of Government on all recommendations are invariably made known in the form of Treasury Minutes.

Besides the Appropriation Accounts, there is a Finance

* Recently, there has been a demand for a debate on a particular Report.

and Revenue Account of Government which is reported on by the Auditor-General, sent to and scrutinised by the Public Accounts Committee

Denmark

The Danish Ministry of Finance administers the Public Funds. The cash business of Government is chiefly transacted by the Treasury under the Ministry of Finance. The Treasury is located in Copenhagen and local treasuries are established throughout the country. In addition, individual municipalities also act as the agents of Government in collection of certain items of revenue and payment of a number of items (grants for social purposes)

The Public Accounts are prepared by the Treasury Accounting Department of the Ministry of Finance and are audited by the Auditors-General (four in number) acting under the Ministry of Finance. This corresponds to internal audit in other countries.

The control on the part of the Folketing is exercised through the State Auditors appointed by the Folketing to examine the Public Accounts. The State Auditors submit their Report to the Folketing 18 months after the accounts of the financial year have been closed. This time lag of 18 months has given rise to criticism, but due to practical difficulties it has not been possible to shorten this gap of 18 months.

The accounts comprise all the activities of the Government. They should be adopted by the Folketing. In fact it is on the basis of these Accounts the Supplementary Grants to cover possible items of expenditure already incurred but for which money has not already been granted by the Folketing are voted. But as already stated in the section relating to Supplementary Grants, the proposals for supplementary grants are submitted to the Finance

Committee of the Folketing for approval, if that Committee agrees to the grant, the matter is deemed to be settled and subsequent approval by the Folketing at the time of adoption of the Public Accounts is only a matter of form. This in effect provides only an opportunity to the Folketing of censuring the work of the Finance Committee, *viz.*, by exercising its right to refuse to carry through the proposals when they are submitted to the Folketing, a right which is of a purely formal character especially as at that time the sums have been spent long ago.

France.

The Public Funds are administered in each department by the treasury officials in general under the authority of the Finance Ministry. Treasury business is transacted by the Bank of France and its Branches.

In each Ministry the laying out of expenditure is watched by an internal auditor, called the Controller. His role consists in the verification of proposals for expenditure with reference to the existence of sufficient credit. He is under the control of the Ministry of Finance. He can refuse to endorse any expenditure and refer the matter to the Ministry of Finance. The Controller presents periodically to the Finance Committee of the Assemblies the results of the accounts of the expenditure maintained by him.

Once the budget has been executed, the control of the accounts is exercised by the Court of Accounts, an independent body, which is constitutionally bound to assist the Assembly.

The controls exercised by the Controller and the Court of Accounts are distinct and succeed each other in point of time. The former controls expenditure in progress (preventive control) while the latter takes over control after the execution of the budget for the sake of drawing attention to irregularities and errors that might have been committed. The control of the Court of Accounts has for

its objective the verification of the accounts maintained by the accountants and the conformity of payments and orders

The annual report of the Court of Accounts is presented to the Assemblies and submitted to the President of the Republic

The Ministry of Finance prepares the accounts of the revenue of the State and the accounts of the general administration of finances which are the detailed accounts of all the revenues and expenditure of the State of the financial year that has closed and submits them for check of the Court of Accounts. These accounts are also communicated to the Finance Committees of Parliament

Germany

The Finance Ministry generally examines the budget administration. The cash business of Government is transacted through Pay Office, Central Federal Pay Office, Land Central Banks and Bank deutscher Lander

It is the duty of the Federal Court of Accounts also called the Federal Audit Office (which is independent of the Executive) to decide whether the funds provided for had been properly utilised. In Germany, the members of the Federal Audit Office are appointed by the Federal President, upon nomination by the Federal Cabinet

The Federal Government has to submit to Bundestag and Bundesrat in the course of the following year the general account and a summary of the assets and liabilities with the comments of the Federal Audit Office in order to secure a discharge for the Federal Government

The accounts and reports of the Federal Audit Office are examined by the Budget Committee with the aid of a Committee for Public Accounts appointed by it as a Sub Committee having 13 Members. The Committee comes to a decision on its deliberation and makes a Report to the House. The Government is entitled to hold an opinion at variance with that of the Committee

Iceland

The Minister of Finance and the Secretary-General of the Ministry of Finance as his deputy are at the head of the Exchequer. The Bureau of the Treasury at the Capital transacts the cash business of the Government and money due to Government are received by the Treasury or the Exchequer.

The accounts are prepared by the Accounting Department which is part of the Ministry of Finance. The Auditing Department whose duties are to post-audit all accounts of Government agencies, is under the control of the Ministry of Finance. The Auditor-General is appointed by the Minister of Finance and is responsible to him. He is the internal auditor and is the main controlling officer of the accounting agencies. The Auditing Department submits reports to the State Controllers.

The State Controllers are three in number and are elected by the Althing for the purpose of auditing on behalf of the Althing, the national revenue and expenditure accounts submitted by the Auditing Departments with their Report. It is the duty of the State Controller to ascertain whether the entire revenue has been included and whether any unauthorised disbursements have been made. The State Controllers address their remarks to the Ministry of Finance who answers them. A declaration based upon these remarks and the Finance Minister's replies is issued by the Controllers and then presented to Parliament together with the Actual Budget Appropriation Bill.

The remarks of the Controllers may be debated in Parliament.

India

Under the Constitution the custody of the Consolidated Fund, the payment of moneys into such Fund and the withdrawal of moneys therefrom should be regulated by law made by Parliament. No law has so far been enacted

and for the present such matters are regulated by rules made by the President of the Republic

The Ministry of Finance is in overall control of the Budget. It is this Ministry that prescribes the procedure to be followed by each administrative Ministry to keep an effective control over the expenditure out of the amount voted to it by Parliament. The funds voted by Parliament are placed at the disposal of controlling officers concerned whose duties are to exercise a continuous watch over current and anticipatory expenditure to ensure that amounts placed at their disposal are not exceeded before obtaining additional supplies. The Accountant General* who at present maintains also the accounts of the Government apprises the Finance Ministry of any tendency on the part of the controlling officer to exceed the amounts voted by the Legislature.

At present the accounts of the Union and each of the States, with the exception of those relating to Defence and Railways are being maintained by the Comptroller and Auditor-General. In his capacity as Accountant he has to submit Appropriation Accounts annually to Government. The Comptroller and Auditor-General is appointed by the President under the Constitution and his statutory duties and powers have been prescribed in the Constitution. He is independent of the Executive.

The audit of expenditure constitutes the major duty of the Comptroller and Auditor General. From the point of view of control of Parliament, the Auditor General in auditing expenditure "has to ascertain whether moneys shown in the accounts as having been disbursed were legally available for and applicable to the service or purpose to which they have been applied or charged and whether the expenditure conforms to the authority which governs it." It is also his duty to submit reports to Parliament on the

*He is an officer of the Indian Audit Department, which is headed by the Comptroller and Auditor General. The latter is also responsible for maintaining the accounts of the State in addition to his statutory responsibilities for audit. Steps are under way to divest him of the accounting functions.

Appropriation Accounts In his Reports he not only draws attention to over-spending or under-spending by departments but also criticises action of Government leading to wasteful and extravagant expenditure. He submits his reports to the President (Head of the State) who causes them to be presented to Parliament.

The Appropriation Accounts and the Comptroller and Auditor-General's Audit Report are considered by a Committee of Parliament, called the Public Accounts Committee, which consists of 22 members—15 from the Lower House and 7 from the Upper House. It is elected annually. In scrutinising the Appropriation Accounts and the reports of the Comptroller and Auditor-General on the Accounts it is the duty of the Public Accounts Committee to satisfy itself—

- (a) that moneys shown in the accounts as having been disbursed were legally available for and applicable to the service or purpose to which they have been applied or charged,
- (b) that the expenditure conforms to the authority which governs it, and
- (c) that every reappropriation has been made in accordance with the provision made in this behalf.

The Public Accounts Committee can call for papers and send for persons to appear before it to give evidence. Usually Heads of Departments or those responsible for expenditure appear before the Committee to answer any question or criticism which it might like to ask or make. The Committee is assisted in its work by the Comptroller and Auditor-General. The Committee formulates its recommendations in the form of a Report and the Chairman of the Committee submits it to Parliament.

The Ministries concerned with the various recommendations take action on them and report the matter to the

Committee If for any reason the executive Government finds itself unable to accept any of the recommendations of the Committee, the reasons therefor are placed before the Committee, and if the Committee is satisfied with the reasons it might modify its earlier recommendations If there is no agreement eventually between the Committee and Government, the matter is placed before Parliament Generally speaking, the recommendations of the Committee are as a matter of course accepted by the Government and implemented In a very special case the Government submits to the Committee the reasons why it is not possible for the Government to accept or implement a recommendation So far there has been no major disagreement between the Government and the Committee

Parliament rarely finds the time to discuss the Report of the Public Accounts Committee, but opportunity is taken by the members to refer to the reports of the Public Accounts Committee (and the Estimates Committee) during the discussion on Demands for Grants of the Ministries—*i e*, during the Budget discussion

In addition to the Appropriation Accounts, the Finance Accounts* of the Government dealing with individual Heads of Revenue and Expenditure according to Account Head are prepared and submitted to Parliament by the Comptroller and Auditor-General with his comments These Accounts are also examined by the Public Accounts Committee

The time lag between the closing of the financial year and compilation of the Appropriation Accounts and Audit Report relating to that year is rather long The delay is mainly due to difficulties of compilation of accounts due to partition of India The difficulties are being overcome gradually

Besides the Public Accounts Committee there is also an Estimates Committee consisting of 30 members from the Lower House Though it has not much to do with the

*No such Account has been presented since the partition of India in 1947

scrutiny of the execution of the budget, that Committee scrutinises the Estimates with a view to suggest economy in the Estimates consistent with the policy laid down by Parliament. The functions of the Committee in detail are as follows —

- (a) to report what economies, improvements in organisation, efficiency or administrative reform consistent with the policy underlying the estimates, may be effected,
- (b) to suggest alternative policies in order to bring about efficiency and economy in administration;
- (c) to examine whether the money is well laid out within the limits of the policy implied in the estimates, and
- (d) to suggest the form in which the estimates shall be presented to Parliament

In this connection see also para 22 at page 75 *ante*

Ireland

Parliamentary control over expenditure in Ireland is similar to that in the United Kingdom. There is no Estimates Committee.

Israel

All revenues received are in the custody of the Ministry of Finance.

The Accountant-General who is under the Ministry of Finance exercises central control by allocating funds by monthly instalments. His office ensures that the commitments incurred are within limits of the approved Budget. The treasurer and disbursing officers of Government Departments are appointed by the Accountant-General who disburse funds according to allocations.

The cash business of Government is transacted by the Bank of Israel, its Branches and by Post Office Banks

The accounts are maintained by the Accountant General and the responsibility to watch that supplies authorised by Parliament are spent for the purposes for which they were granted rests on the Ministry of Finance. Internal audit sections exist in a number of Ministries

There is a State Comptroller who is statutorily responsible for the audit of Government Accounts. He examines the accounts and stocks of Government as well as the legality, efficiency and integrity of Government's administrative and economic activities. He prepares his Report annually within nine months after the end of the financial year to which the Report refers and presents it to Parliament together with the observations of the Ministry of Finance after an additional six weeks. A general report of income and expenditure of the State which includes all activities of Government is presented by the Ministry of Finance to the State Comptroller who reports on it and submits his conclusion in his regular annual report to Parliament

The Annual Reports are presented directly to Parliament. They are discussed thoroughly in the Finance Committee which places before Parliament its conclusions and recommendations

The recommendations of the Finance Committee are discussed and voted by Parliament. Although these conclusions and recommendations cannot be said to exercise any statutory obligation on the Government, any negative criticism or recommendation by the Committee, approved by the Plenum as a whole, cannot be lightly disregarded by Government

Italy

The administration of the Public Funds is subject to the direct surveillance of the Ministry of the Treasury. There

is a Central Treasury under the Ministry of the Treasury and Provincial Treasuries in each headquarter town of the Provinces. These provincial treasuries transact Government business.

The Accountant General of the State criticises the account and in each Ministry there is control of the accounts exercised by the representative of the Accountant-General.

Detailed control of the national expenditure and of proper use of sums for the purposes for which they were granted by Parliament is carried out by the Court of Accounts, established under the Constitution (enjoying special independence in regard to the Government) to assist Parliament in this field. If the Court of Accounts disapproves of any departmental payment on purely financial grounds, it has powers to annul it finally. If, however, it judges an act to be contrary to the laws and regulations in force and disapproves an expenditure on this ground, then the matter is referred to the Minister or Council of Ministers. If the latter disagrees with the court, the Court's view is presented to Parliament in the form of a provisional decree. Such decrees are referred to the competent Committee of each House and subsequently submitted to the decision of the Houses for consideration. The control exercised by the Chambers has no judicial effect but only political value.

There is no other special Parliamentary Committee for verifying the proper employment of the money of the taxpayers; nor is there any special procedure provided. The Parliament checks this at the time of the voting of the final account on the basis of the findings of the Permanent Committee.

The Budget year closes on the 30th June, and the account has to be presented in the month of January, so that the period of elaboration of the accounts is seven months after the closure of the budgetary year. This period normally is too brief and in practice it extends to 12 months as the Court of Accounts often experiences difficulties at the time

of reconciliation of its accounts with that of the Accountant-General

The final accounts of the State are presented to Parliament by Government with a general exposition. The report of the Court of Accounts precedes this. Both these accounts are taken into account by Parliament before it votes the final accounts*

Japan

Government funds are held by the Bank of Japan as its deposits, and all receipts and payments relating thereto are attended to by the Bank of Japan, which has branches in the principal parts of Japan.

Each Department and Board has its own internal audit organisation supervised by the Head of the Department or Board.

The Ministry of Finance prepares the Detailed Statements of Accounts of Annual Revenues and Expenditures. These Statements are then submitted to the Audit Board.

The Board of Audit occupies a position independent of the Cabinet and the Diet. It is the duty of the Board of Audit to audit the final accounts of the revenues and expenditure of the State.

The Board of Audit after auditing the accounts sends the Accounts Audit Report to the Cabinet with its comments which may include illegal acts of the budget executive officials and their liability for payment of indemnities.

The Annual Statement together with the Audit Report is then presented by the Cabinet to the Ordinary Session of the Diet held in the year following that to which the Accounts relate.

*In consequence of the War it has not been able so far to get the final accounts for 1958 and subsequent years approved by Parliament.

The Audit Committees of the Houses of Parliament (each House has an Audit Committee) which are Standing Committees of the Houses scrutinise the Accounts Statement and the Report of the Board of Audit thereon and each Committee prepares a report giving its findings. The Chairman of the Committee orally reports to the House on proceedings and findings of the Committee in case the matters examined by the Committee should form the subject of discussion in the House.

Government shall not be bound by the advice or findings of the Committee although the findings have their political restraints.

Luxembourg

The organisation charged with the financial operation of the Government is the Treasury of the State which is a department of the Ministry of Finance.

The internal check on the accounts in the Ministries or Departments is exercised by the "Bureau Ordonnateur" functioning in each Ministry.

So far as the Legislature is concerned, the Committee of Accounts is responsible for seeing that permitted expenditure is never exceeded on any separate article. It draws up the accounts of the State and presents them to the Chamber of Deputies with its observations.

The Parliament exercises a certain amount of control by means of interpellations that may be addressed to Government by Deputies.

Netherlands

All revenues flow into the "Exchequer" the custody of which is held by the Finance Minister. No Minister is allowed to withdraw money from the Exchequer without authorisation from the Finance Minister.

A very large part of the financial business is transacted by means of the Postal Services

If the Finance Minister needs cash, he may, under the legislation governing the "Nederlandse Bank", to a certain extent, borrow from this Bank

The Finance Minister is responsible for watching whether supplies authorised by Parliament are spent for the purposes for which they are meant, but the General Board of Auditors again watches the Finance Ministry

The General Board of Auditors can examine all accounts and has access to all documents it may need for the performance of its task. The financially responsible officials of the various Ministries have to provide all information asked by the General Board of Auditors. They must answer the Board's objections within a fixed time. If it finds that a certain expense was not authorised by the Budget, the Board can refuse to sanction such an expense. If agreement between the Board and the Minister concerned is not reached within a period of three months, the Minister has to introduce a Bill for the approval of the contested expense.

Every year before the 1st April the General Board of Auditors presents to the Queen, *i.e.* to the Government, a report on the preceding year. This report is forwarded to Parliament, usually before the day of its opening*. Abuses are brought to notice of Parliament by the General Board of Auditors in its annual report or any special letters to the Second Chamber or to the Committee on Expenditure.

The Committee on Expenditure of the Second Chamber consisting of seven Members appointed yearly by the President of the Chamber examines the report of the Board and submits its own report. All important parties are represented on this Committee. This Committee has to report to the Chamber at least every three months.

*There have been some instances of delay in this respect which was probably due to the fact that the Government wanted to take measures necessitated by the Board's criticism.

Discussion on the reports of the General Board of Auditors and on the Expenditure Committee's report is possible after remarks in the latter report have been answered by the Finance Minister but this very seldom happens. If certain expenses made by the Government are criticised by the Board and the Committee, the Government will usually take measures to avoid repetition, the Committee will then express its satisfaction and its report is passed without debate. In case the Government does not agree with the recommendations of the Board and the Committee, a debate is held.

Norway

The Ministry of Finance holds custody of the Public Fund. Disbursement is made through a special Treasury at the Capital. This office is represented by Revenue District Officers in every Province who are in charge of any disbursement falling within their Province.

Departmental Accounts are audited annually by a body known as State Audit which consists of five auditors appointed by the Storting. The Auditor General who heads the Audit Office is also appointed by the Storting.

The Accounts should be delivered to the auditors within six months after the expiration of the financial year. The State Audit has to audit all accounts of the Government Agencies and other authorities of money and stocks etc. and to control that measures taken in accordance with the law and regulations passed. The State Audit has power to report to the House.

There are no such Committees as the Estimates Committee or the Public Accounts Committee. The Finance and Customs Committee exercises their functions.

A Special Committee of the House, the Protocol Committee, is charged with the examination of the said Reports and decision of accounts, to which end it shall propose the appropriate measures to be taken by the House.

The Protocol Committee's Report is discussed by the House. The discussion refers to financial as well as the political aspects of the matter. A report might be thought to involve a want of confidence.

Pakistan

The procedure is more or less similar to that followed in India.

In the place of the Estimates Committee, there is a standing Finance Committee consisting of seven Members of Parliament with the Finance Minister as its Chairman. The functions of the Committee are purely advisory. It advises the Ministry of Finance on expenditure proposals involving questions of policy or expenditure of considerable magnitude.

Sudan

The treasuries at all towns and banks transact the cash business of Government.

There is a system of internal audit (purely departmental) in some of the big Ministries like the Ministry of Communication under the direction of the Ministry.

The Auditor General is responsible for statutory audit of the accounts of the State. The Accounts are to be submitted to the Auditor General within nine months of the close of the financial year. He submits his Reports on these accounts direct to Parliament. They are then examined by the *Public Accounts Committee which submits reports to the House of Representatives from time to time. These Reports are discussed by the House. If the recommendations of the Public Accounts Committee are endorsed by the House, they become binding on Government.

There is no Estimates Committee in Sudan.

*The Public Accounts Committee consists of a Chairman (usually from the Opposition) and six members appointed by the Committee of Selection.

Sweden

The Paymaster General's Office receives a great part of the income of the State and makes authorised payments to various authorities

The money at the disposal of various authorities is put on the State cheque account in the National Bank which has branches all over the country For collection of taxes etc the services of other banks and the post office are also employed

There is no Auditor-General, but there is a National Accounting Board under Ministry of Finance which audit practically the whole civil administration The Military administration has its own system

The Riksdag annually appoints twelve auditors, six elected by each House, to inspect the Government management and condition of administration, the Bank of Sweden and the National Debt Office Their remarks and explanations given thereto are considered by the Committee of Supply and a report is sent to the Houses of the Riksdag The Houses also discuss the Report

Switzerland

The Public Funds are controlled by the "Control of Finances" It is an autonomous body and is independent in its relations with the different Divisions of the Administration (This corresponds to the Comptroller and Auditor General in the U K) The Control of Finances can refuse to endorse any expense which is contrary to the laws, Federal decrees, etc or transgresses the rules of an economic administration

The Finance Committees of the Houses are charged with the examination of the budget and also the accounts of the State The Committees elect three members each, who together form a Delegation for an administrative period of 4 years This Delegation is charged with the

examination and overall control of the financial administration of the Confederation. It has the right to call for information on accounts from the various Ministries and Divisions of Administration. The Control of Finances will furnish the Delegation with all information required.

The Delegation makes a report to the two Finance Committees. The latter examine them within a period of four weeks and make a report to the Parliament. This report is discussed by Parliament. The Government is not bound by the recommendations of the Committees, but as a general rule it does take them into consideration.

United Kingdom

The Treasury holds the custody of the Consolidated Fund and the Bank of England transacts the cash business of Government.

Under the Exchequer and Audit Departments Act, 1866, the Comptroller and Auditor General from time to time grants to the Treasury on their requisition credits out of the Consolidated Fund within the limits laid down by Parliament.

The larger departments have a system of internal audit designed to assist the Accounting Officer of the department (usually the permanent Head of the Department) to satisfy himself as to the correctness and propriety of the Department's financial transactions and to prevent or correct errors before the accounts are submitted to the Comptroller and Auditor General for examination. The internal audit is under the Department's control. The accounts are made up by the departments concerned in accordance with Treasury Instructions and are the responsibility of the Accounting Officer of the Department. The Comptroller and Auditor General whose full title is "The Comptroller General of the Receipt and Issue of Her Majesty's Exchequer and Auditor General of Public Accounts" is appointed by the Crown under Section 3 of

the Exchequer and Audit Departments Act, 1866 He is responsible primarily to the House of Commons He is responsible for the statutory audit for which he has his own staff He audits the public accounts including the Appropriation, Revenue, Trading, Cash Stock and Stores Accounts of the Government and the various public funds or accounts in accordance with the various Acts He maintains a continuous audit of departmental expenditure His annual Reports to the House of Commons on the audit of the Appropriation Accounts expose any irregularities discovered in the course of audit He draws attention to all cases of over-spending, of misappropriation or mis-accounting of moneys received and of expenditure not sanctioned by the Treasury or unsupported by proof of payment He draws attention to expenditure which he considers to be wasteful

The accounts prepared by the departments after having been certified and reported on as above are submitted by the Comptroller and Auditor General to the Treasury, who causes them to be placed before the House of Commons These Accounts are then referred to the Public Accounts Committee† which is set up every year

The Public Accounts Committee consists of fifteen members with a prominent member of the Opposition as Chairman, and proceeds chiefly by the personal examination of the permanent heads of departments, who as Accounting Officers are responsible for all the expenditure of their departments This Committee has powers to send for persons, papers and records, to adjourn from place to place and to report from time to time whenever it has completed a particular part of its enquiries It reports to the Parliament

No specific Parliamentary time is allotted for the consideration of the Report of the Public Accounts Committee

†The Public Accounts Committee is set up every year to examine "the accounts showing the appropriation of the sums granted by Parliament to meet the public expenditure and such other accounts laid before Parliament as the Committee may think fit"

by the House. It is open to the House to debate any report it thinks fit, and by standing order the consideration of the report of the Public Accounts Committee and also the report of the Estimates Committee (which examines such of the Estimates presented to the House as may seem fit to the Committee, and to suggest the form in which the Estimates should be presented for examination and to report, what, if any, economies consistent with the policy implied in these Estimates may be effected therein) shall be considered as 'business of supply' and are therefore taken on any of the 26 days allotted to Supply.

The Government are not obliged to accept or implement the recommendations of these two Committees contained in their Reports to the House. Reports of the Estimates Committee on a particular estimate or group of estimates are replied to by Departments concerned, and the Treasury replies to Reports dealing with general topics. The Reports of the Public Accounts Committee are considered by the Treasury who in due course issues a minute on the report—the most formal method of communicating its decisions to Departments. A copy of the minute is communicated to the Public Accounts Committee. The Committee of the next year considers the minutes and pursues any point on which it is not satisfied that effect has been given to the recommendations of the earlier Committee. Departmental answers and Treasury minutes are reported to the House and published.

In addition to the Appropriation Accounts and the Comptroller and Auditor-General's Reports thereon the following accounts are presented to Parliament—

- (i) Consolidated Fund Abstract Accounts,
 - (ii) The Public Income and Expenditure Accounts.
- The above accounts are both examined and reported on by the Comptroller and Auditor General.
- (iii) The Finance Accounts of the U.K. These Accounts are laid before Parliament by the Treasury. These show in considerable detail

the main heads of revenue and expenditure in the financial year, particulars of National Debt Transactions and total Debt outstanding at the close of the year. The Comptroller and Auditor General does not certify these accounts, nor does Parliament exercise any special checks thereon.

R

The Ministry of Finance opens credits for the respective administrations and Ministries within the limit of the allocations provided in the Budget. The Finance Ministry and the Ministry of State Control ensure the proper utilisation of the credits approved by the Supreme Soviet.

The State Bank accepts all the receipts of the Budget, renders an account of all the revenues and makes the disbursements within the limits of the credits opened by the Ministry of Finance.

The Ministry of Finance prepares the report on the execution of the Budget of the State, which is examined by the Council of Ministers of the U S S R and is submitted for the approval of the Supreme Soviet of the U S S R. The Supreme Soviet of the U S S R approves the report on the execution of the Budget on the basis of the report of the Council of Ministers and the conclusions of the Budgetary Committees.

Internal audit (control) is accomplished in each Ministry by the Institute of Internal Finance Administration and Control. The objects of the internal control are

- (i) verification of the legality of the operations effected by the administrations, enterprise or economic organisation, financial and budgetary discipline,
- (ii) finding out cases of unlawful expenditure of funds and materials, and
- (iii) verification of the efficient organisation of the accounts etc

CHAPTER IV GENERAL

24 STATE CORPORATIONS

The public enterprises of the various Governments (except the U S S R) may be broadly grouped as follows —

- (i) Transport
- (ii) Communications
- (iii) Public Utilities
- (iv) Banking and Insurance
- (v) Industries

Under transport will come railways, waterways, airways etc. Communication services comprehend postal services, telegraphs, telephones and radio broadcasting. Public utilities embrace water, gas, electricity plants and urban transport facilities, which are usually operated by local Government bodies. Quite a number of Governments operate regular Postal Savings Banks, State Banks and Insurance establishments. In the Industrial sector too, the Government has stepped in in many countries—particularly the under-developed ones—which have undertaken new responsibilities for programmes of rapid economic development.

The administrative and managerial set-up of public enterprises varies widely between Governments and even in the same Government between groups. Some of the enterprises like Postal Services are organised as regular departments of Government and are subjected to the same legislative and executive control as other Departments of Government.

The alternative type of organization is not to subject enterprises to Government administration proper but at the same time subject them to varying degrees of Government control. Their status is different from that of ordinary Government Departments. These enterprises have their own board of trustees, or managing directors. Within the limits of the bonds of restriction and limitation imposed on them originally by legislation or otherwise, each of these enterprises enjoys full autonomy.

Certain enterprises are also constituted into Joint Stock Companies. They are financed and operated jointly by the Government and by private agencies.

The method of budgeting the financial requirements of public enterprises varies according as these enterprises are constituted as solely Government Departments or as separate corporate entities. Where the enterprises form part of the Government administration proper, like Postal Services, the requirements of each such enterprise are included in the general budget in gross amounts. Their earnings and receipts are credited to the Consolidated or General Fund of the Government and their expenditure has to be met out of that fund. In other words, such enterprises are subjected to the routine of financial administration imposed on the regular spending departments. The second method is to place the financial requirements of public undertakings in what is commonly called "annexed budgets", exhibiting in the general budget only the net surplus or deficit resulting from the operation of these enterprises. Annexed budgets set forth the gross receipts and expenditure of these enterprises. This enables the legislature to consider the needs of an enterprise and thereby keep it within the general control of the Executive and the Legislature. Yet another method of financing public enterprises created by Parliament with certain specific powers and functions, is to provide the necessary capital to the enterprises either in the form of loans or by guaranteeing the loans floated by them or by acquiring shares in the enterprises leaving to the

enterprises complete financial autonomy and independent management

The procedure followed in the different countries is briefly as follows —

Austria

The revenue and expenditure of public establishments designated as State Monopolies (*e g* exploitation of land, State Lotteries) and Federal enterprises (Posts and Telegraphs and Railways etc) figure as such in the Budget Enterprises of Banks and Industries (National Societies) have become property of Federal State by virtue of special laws passed since 1946, but the revenues and expenditure of the enterprises do not figure actually in the budget

The net receipts of the State Monopolies as also of National Societies are credited into the Treasury of the State which also has to meet the eventual losses, if any, of these enterprises

The revenues and expenditure of the State Monopolies and National Societies are appended to the budget

Belgium

In principle, funds for public service endowed by judicial personality are administered outside the Treasury. They have their own resources, although Government sometimes grants the subsidies. These subsidies figure in the budget of the Ministerial Department concerned. Quite a number of these establishments have to prepare a budget annually which is annexed to the budget proposals of the Ministry concerned.

Their revenues are kept distinct from the State Fund. The accounts are kept on a commercial basis and as a general rule their annual profits do not have to be paid into the Treasury.

Ceylon.

There are two categories of enterprises—State Corporations proper and commercial undertakings. State Corporations proper, which are Corporations recognised by law as such and usually created by special legislation, are financed by grants made in the annual Estimates. In the case of Government Trading activities, which have not been entrusted to a legally constituted Corporation, provision is made in the Budget for an advance of a token sum of Rs 10. This token provision is to indicate the sanction of the Legislature for the Treasury to make advances from the Consolidated Fund for financing the activity. A footnote in the Estimates sets out the limits of the advances that are to be made during the financial year. If the income from the undertaking is less than the advances made from the Consolidated Fund, a Vote to cover such loss is taken in due course. The legality of this procedure under the Constitution is open to doubt and the matter is under consideration.

The revenues of the properly constituted Corporations do not invariably pass into the Consolidated Fund.

The accounts are kept on a commercial basis, their profit or loss does not appear in the Budget. Their annual accounts have frequently to be presented to Parliament and can be scrutinised by the Public Accounts Committee if they so desire.

Denmark.

State Corporations are shown as independent administrative entities and their items of revenues and expenditure are shown in their separate accounts. Their capitals are included in the general capital accounts of the State.

The accounts of these Corporations are maintained on a commercial basis and the total surplus or deficit is passed to the credit or debit of the State.

France

Public establishments and National Societies enjoy a complete budgetary autonomy. In general, they manage to balance their revenues and expenditure. In certain cases, however, Government pays them subventions (subventions of equilibrium). These subventions are given by virtue of undertakings given by Government and represent compensation for various obligations imposed on them by the State. These subventions figure in the budget of the State.

Besides, the State also gives them special loans to finance their investments. These enterprises provide finance for themselves by floating loans with the authorisation by the Treasury. These loans are sanctioned and guaranteed by the Treasury.

The revenues of these establishments do not pass through the budget of the State. The accounts are kept according to the rule of commercial accountancy and their profits and losses do not figure in the State budget except in so far as it concerns the subventions for equilibrium.

Germany

In Germany, a distinction is made between economic enterprises forming part of the general administration, *e g*, the Federal Printing Works, which are entirely financed by the Government, and profit making commercial enterprises in which the Government owns a share.

Receipts and revenues of the former type of enterprises, whose accounts should be maintained on commercial principle, are considered as normal revenues of the Federal Government, only the final balance, however, is included in the budget of the Federal Government. In the case of the latter group, the truly commercial enterprises, only such proceeds as *e g*, dividends paid by such, undertakings and credits given to them, appear in the Federal Budget. They are managed independently, the Government however,

is usually represented on the board of directors of such enterprises, according to the size of its share in them.

Iceland

Most of the State Corporations are self-supporting. A deficit would be paid out of the Treasury Fund and the profit would flow into that Fund. Some Corporations, however, have their own cumulative funds and do not pay the profits into the State Treasury Fund. A temporary deficit of these Corporations would be covered by the cumulative funds as far as possible, thereafter by loans and eventually out of the States Treasury Funds. The accounts of the Corporations are kept on commercial basis.

India

The Railways and Posts and Telegraphs Services are in a sense commercial undertakings of the Government.

The Budget of the Railways is separately presented to Parliament (a fortnight before the General Budget) and dealt with by the Parliament. But as the receipts and expenditure of the Railways are, nevertheless, the receipts and expenditure of the Government of India, the figures relating to these are also included in lump in the General Budget. The Railways pay to the General Revenues a consolidated dividend of 4 per cent of the capital at charge of Railways.

The Posts and Telegraphs Department do not, unlike the Railways, present a separate budget to Parliament. Along with the General Budget a separate Book of Demands for Grants relating to the Posts and Telegraphs Department is also presented. The annual financial statement includes the receipts and the expenditure of the Posts and Telegraphs Department. The difference is paid to the General Revenues as contribution. They have no separate funds and are merged with the Consolidated Fund of India.

Another type of State undertakings is the "State Corporations" These are statutory bodies set up by or under an Act of Parliament They enjoy a large measure of internal autonomy subject to over-all control by Government Examples of such Corporations are Damodar Valley Corporation, Industrial Finance Corporation and Rehabilitation Finance Administration These organisations are financed entirely by loans from Government or by the investment in the shares of these Corporations The shares and dividends thereon are at times guaranteed by Government The loans and investments made by Government are included in the budget of the State

There are also companies registered by executive action under the Indian Companies Act like the Sindri Fertilisers and Chemicals Ltd and Hindustan Aircraft Ltd, where Government owns practically all the shares or a major portion of them

Ireland

Corporations in Ireland are of two categories—one which forms part of Government administration proper and the other which does not form part of Government administration proper but over which varying degrees of Government control are exercised

The former category includes corporations like Land Commission, Commissioners of Public Works and Commissioners for Charitable Donations and Bequests, which are bodies forming part of particular departments of Government All such bodies, like other Government services are financed through Votes for Supply Services

Under the latter category bodies are entrusted by Parliament with prescribed activities generally of an industrial, commercial or financial nature Such bodies are usually either incorporated under a specific Act or are authorised by a specific Act of Parliament in the ordinary way To determine how

such a corporation is financed by the Government recourse must be had to the provisions of the Act of Parliament relating to it. All part of the money may be provided by the State by issues of capital from the Central Fund or in some cases by subsidy from voted moneys. In the case of a company authorised under Act of Parliament the provision of State capital usually takes the form of the taking up by the Government of all or part of the shares issued. In some instances the Government under statutory powers guarantees the borrowings, including over-draft accommodation of State corporations. The Estimates of Receipts and Expenditure and the Budget Statement of the State show issues of a capital nature to be made during the financial year to such corporations as well as any repayments of capital or payments of interest or dividends expected from them during the same period. Revenues of these corporations are accounted for in their own accounts and are outside the Central Funds. Their accounts are kept on a commercial basis and profit and losses are not exhibited in the Budget. There is an obligation on such a body to present its audited accounts and a report annually to Parliament for the information of members.

Israel.

State Corporations are financed by Government by means of loans or investments in shares (or debentures). Such loans and investments are shown in the Development Budget of the State.

The revenues of such Corporations do not pass through, nor are they reflected in, the receipts or funds of the Treasury.

Accounts of the Corporations are kept on a commercial basis and their profits and losses are not exhibited in the Budget of the State.

Italy

Public establishments (monopolies, Railways, P T T, etc) have their own budget of receipts and expenditure. If necessary, they are financed by Government with contributions corresponding to their deficit for the financial year. Expenditure on account of this contribution is exhibited in a separate chapter of the estimate of expenditure of the Ministry of the Treasury.

The receipts of these establishments form separate accounts and are allocated to the particular budget of each one of them. The accounts are maintained on a commercial basis. The profits are paid into the coffers of the State and eventual losses are covered by contribution by the State. The profits are shown on receipt side of the State Budget and the losses on the expenditure side.

Japan

The national enterprises include National Railways, Japan Monopoly Corporation, Nippon Telegraphs and Telephones Public Corporations. These are carried on with independent accounts from the Government or Special Banking organs whose capital is invested by the Government such as the Peoples Free Corporation, *i e*, Housing Loan Corporation, Agriculture and Fisheries Finance Corporation, the Small Business Finance Corporation, the Hokkaido Development Finance Corporation, Japan Development Bank and the Export and Import Bank. The budgets of the State Corporations known as the Government Organs Budget are presented to the Diet together with the Budget for the General Account and that for the Special Account. These Organs are financed by Government by providing the entire capital or by giving loans for capital within a limited sphere and by giving temporary accommodation from the National Treasury.

Luxembourg

The expenditure for Public establishments (*e.g.*, the Office of Social Assurance) appears in the budget of the State under a distinctive section as "Organisation of public interest" This expenditure includes the participation of the State in operative charges (expenditure on the personnel and material) and allowances, subsidies and subventions

There is only one National Society, namely, that of the Luxembourg Railways. It presents annually its own budget independent of that of the State The budget of the State however provides annually in its estimates of expenditure a sum meant to cover the eventual deficit of the Railways for the following year under the section "Railways".

The revenues of these societies and establishments do not pass as the public funds of the State

Netherlands

In the Netherlands, the Railways constitute an undertaking all the shares of which are owned by the State This undertaking is run and financed on a purely private and commercial basis, dividends if any, are paid to the State. The Royal Dutch Airlines is a company in which the State owns part of the shares There are several other industries too in which the State owns part of the shares These companies pay dividends the expected amounts of which are exhibited in the estimated revenues

The State Coal Mines and the Postal Services are undertakings which are also owned by the State The revenues and expenditure of these Corporations form separate accounts The accounts of these undertakings are kept on a commercial basis, the expected profits made by these Corporations are shown in the estimated revenues and the anticipated losses are shown as demands

Norway

There is a Section in the Budget (First Section) which contains a sub-section, titled 'State Trading'. This item of expenditure is also subject to the vote of the Legislature. In the Budget, however, only surplus or deficit is exhibited.

Their accounts are maintained on commercial lines and do not enter into the Consolidated Fund.

Pakistan

State Corporations are financed by Government either subscribing to the share capital or giving loans. These items of expenditure are exhibited as such in the Budget under the relevant heads.

The accounts are kept outside the Government Account. Dividends paid by such Corporations on Government Investments are however reflected in the Government Account.

The accounts are maintained on a commercial basis. The losses and profits of the Corporation are not exhibited in Government Budget except to the extent met or received by Government.

Sudan

The State Corporations are financed by loans from Government for which they pay annual dividends (interest). The items of revenue and expenditure are not exhibited in the general budget. The dividends received by Government are, however, exhibited on the revenue side of the Government Budget.

The revenues of these Corporations form separate accounts. The accounts of the Corporations are kept like accounts of Government Departments and not on a commercial basis.

Sweden.

In Sweden there are (a) corporations administered on a Civil Service basis (e.g., Railways, Telephone, Electricities production) and (b) Corporations run as ordinary shareholding companies where the State holds all or the majority shares

Their profits are exhibited as income and losses covered by public grants as expenditure. Major investments under (a) are exhibited in the capital budget

Switzerland

The Federal Railways and the P.T.T. enjoy great financial autonomy. The Confederation has taken under its charge the Consolidated debts of the Railways and permits the Federal Railways to liquidate the same in suitable instalments. The budget of the Federal Railways is presented as a separate budget from that of the State. The P.T.T. budget forms a supplement to the budget of the Confederation.

The Revenues of the Federal Railways form separate accounts, but the P.T.T. have to pay their proceeds into the Federal Treasury.

United Kingdom:

The State Corporations which are financed by Government in the U.K. are of minor importance. Even here only advances bearing interest at statutory rates are made from the Consolidated Fund. The nationalised industries are not for the most part directly financed by Government. They raise the finances required for their operation either by borrowing from banks or by the issue of stocks. But in both cases Government (Treasury)* guarantee is there.

*The B.O.A.C. has until recently been receiving a subvention from the Treasury, but this power to make such subventions expires this year (1957). The Coal Industry has been receiving advance from the Ministry of Fuel and Power for capital equipment, and these are paid out of the Consolidated Fund under statutory powers and shown in the Consolidated Fund Accounts, but the Industry has not so far received grants for working expenditure.

Their revenues do not pass through the Consolidated Funds but form separate accounts maintained by the Boards of the Industries. The accounts are kept on a commercial basis and are not shown in the Budget of the State. They, however, appear in the Report and Accounts issued annually by the Corporations and presented to Parliament by the Ministries responsible for the Industries.

U S S R

The major portion of the receipts of the State Budget is derived from the public enterprises and organisations. The Budget of the State also comprises a certain portion of the profits of these enterprises and the co-operative organisations in the form of tax on the income. The proportion of the profits procured through the public and co-operative enterprises represents 85 per cent of the total receipts of the budget. On the other hand, the budget of the expenditure comprises considerable credits intended to finance the national economy.*

The State enterprises are run on the basis of commercial efficiency. The State endows the enterprises with working capital. The budget also finances that part of the expenditure of the State enterprises which is not covered by their own revenues, mainly capital investment. The public enterprises are operated with a good degree of independence and flexibility. In other words they enjoy budgetary autonomy. Their accounts are kept outside the State Budget.

25 AUDIT AND ACCOUNTABILITY OF STATE CORPORATIONS

While the budgets of the nationalised undertakings are placed before Parliament either in the form of "annexed budgets" or by incorporating the net results in the budget of the State, the scope of discussion of these budgets in

*In 1956 the credits assigned for this purpose represented 42% of the resources of the State Budget of the U S S R.

Parliament varies from country to country. Broadly speaking in all countries these undertakings are given complete autonomy in internal management and administration, subject to the overall control of Parliament. In other words, while matters of policy are laid down by Parliament the latter does not interfere into their day-to-day administration.

In recent times much thought has been given to the question as to how far the accounts of these undertakings (run on commercial lines), financed wholly or partly out of Government funds, should be scrutinised either by Parliament or an agency on its behalf. Opinion has been divided on this subject and the practice in various countries is also not uniform. For instance, in France, the Public Undertakings Audit Board established in 1948 has control over all government industrial and commercial undertakings, all nationalised undertakings and all joint stock companies of which more than half the issued capital is owned by the State. The Board submits an annual report to the Audit Court as well as to Parliament and the Government.

In the U.K. the question is simplified because there is no direct investment of public funds in nationalised undertakings. However, if such undertakings raise funds in respect of which Government has assumed a contingent liability the Comptroller and Auditor General steps in on behalf of the Parliament. Otherwise, audit is conducted by commercial auditors.

In India usually specific provisions enabling the Comptroller and Auditor-General to conduct an independent audit of the affairs of such undertakings are incorporated in the Statutes setting up such Corporations (Indian Companies Act). This audit is in addition to that of Commercial Auditors under the law of the land. By virtue of this provision, the Comptroller and Auditor-General audits the accounts of such undertakings and presents reports to the Head of the State. These reports are caused to be laid before Parliament by the Head of the State and are dealt

with in the same manner as other Audit Reports on Government Accounts

In Germany, detailed provisions, which guarantee a certain measure of control over the economic activities of the Federal Government, exist for the auditing of commercial enterprises in which the Federal Government participates as shareholders or partner directly or indirectly. In addition to the auditing by chartered accountants (commercial auditors) prescribed in the General Company Law, special audits are carried out by the competent Federal Minister and by the Audit Office. The results of these audits are given in the budget accounts. There is, however, no direct parliamentary control over commercial enterprises. On the other hand, Parliament has full control over such enterprises as are entirely financed by the Government and form part of the administration. Special regulations exist with regard to the Federal Railways and the Federal Postal Services which are subject to auditing by the Federal Audit Office.

Due to lack of information in respect of the position in other countries, no reference to the systems followed in those countries has been made here.

26 PUBLIC BORROWING

Public borrowing is an essential part of the financial management of a Government. While the power to borrow is inherent in all sovereign governments, such power is subject to legislative restrictions*. In certain countries

*Sudan seems to be an exception. Government is reported to have unlimited powers in regard to borrowing except for the normal checks like questions and motions for adjournment etc., exercised by the Legislature.

In Israel, too, the Government appears to have unlimited powers in regard to borrowing. The check exercised by Parliament is indirect. The Parliament when approving the income and expenditure of the budgets can approve or disallow borrowing and repayment.

In the Netherlands, convention requires for a long-term borrowing (consolidation of treasury bonds) a special Act of Parliament authorising the Government to issue bonds up to a certain maximum amount. For short-term borrowing a maximum amount is fixed every year by the Bill of Means.

(Denmark, Germany, India*), the financial provisions of the Constitution lay down the principles governing Parliament's approval or authorisation in this matter. In countries like Australia, Austria, Belgium, France, loans cannot be floated by Government except when authorised by Parliament. Such authorisation is given by Parliament invariably in most of the countries at the time of discussion and voting of the annual budget. The annual budget shows distinctly the extent of the loan that is proposed to be floated by Government in the budget year.

The Parliament fixes the limit of borrowings and leaves the details regarding the timing of the flotation of the loan, its period and interest to be worked out by the Executive. In certain countries, like Belgium and Norway, authorisation is not necessarily obtained along with the Budget. The Government asks for this authorisation by Parliament when it finds it necessary.

27 EXCESS GRANT

Incurring of an expenditure without a grant by Parliament to cover it is an irregularity and constitutes an excess which should, as far as possible, be avoided. In practice, however, it is not always possible in all cases to keep the expenditure within the grant voted by Parliament. From the point of view of Parliamentary control over expenditure, such excesses have got to be regularised by obtaining what is commonly called an 'excess grant' at the earliest possible moment.

In most of the countries, provisions exist for regularisation of such excesses. In countries like the United Kingdom, Ireland, Pakistan and India, such excesses are brought to the notice of the Public Accounts Committee by the Comptroller and Auditor General. The Committee, after satisfying itself about the unavoidability of the expenditure

*The Indian Constitution empowers Government to raise loans on the security of the State subject to limits, if any, prescribed by Parliament by law. Parliament has not so far fixed any limits. The borrowings which Government propose to undertake during a financial year are shown in the Annual financial Statement presented to Parliament every year.

resulting in the excesses recommends to the Parliament that these excesses might be regularised. Vote for these excesses is subsequently obtained by the Executive Government.

In Australia if money has been spent in excess of the amount granted for the service during a financial year, it is necessary to cover any such excess from the vote "Advance to the Treasurer" and subsequently validate it in Supplementary Estimates.

Hitherto a Supplementary Appropriation Bill has been passed validating expenditure from the "Advance to the Treasurer". This action is not now (1957) considered necessary as such money have already been appropriated in the main Appropriation Bill. The new procedure requires the Supplementary Estimates to be tabled in both Houses and the discussion on the expenditure to take place in Committee of the whole. Each House will then pass a resolution agreeing to the expenditure detailed in the Supplementary Estimates.

In France, the excesses are regularised when Regulation Bill (Bill aiming at the final regulation of the Budget of the Financial Year) is passed by Parliament. The object of the Regulation Bill is to compare the credits voted (including the additional credits) with the credits effectively utilised and to regularise, if necessary, excesses over voted credits that may come to light by sanctioning complementary credits. In practice, this Bill comes up generally a number of years after the execution of the budget, the final regulations for the financial years 1948, 1949 and 1950 were voted in November, 1954.

In Italy, under the system of control obtaining there it should not be possible to spend money in excess of the amount voted by Parliament. In exceptional cases, where the Court of Accounts registers under reserve an expenditure and communicates it to Parliament, the excess should be regularised by augmentation of the amount of the Chapter affected, by means of an *ad hoc* Bill.

It appears that no provisions for parliamentary regularisation of excesses exist in the U S S R. When a Ministry incurs an expenditure without credit or in excess of the credit and in violation of rules for the transfer of credits, this excess is considered as a violation of financial discipline.

In Germany, all expenditure in excess of budgetary grants are examined by the Auditing Committee after the close of the financial year when the accounts are submitted to Parliament. Upon the Report of the Auditing Committee, the Parliament votes on the discharge of the Federal Government. If an excess has not been authorised by the Finance Minister, which practically never happens, it leads to the raising of an objection by the Federal Audit Office (which *may* object even if the Minister did give his consent) and the liability to reimburse is that of the officials responsible unless the Bundestag grants indemnity.

In the Netherlands within about two years after the end of a fiscal year, all the accounts are approved by the General Board of Auditors. Appropriation accounts under Budget Heads (every section of every chapter) are then sent to Parliament and a bill is introduced, a memorandum prepared by the Finance Minister on the outcome of the fiscal year is presented to Parliament. This Bill is always passed without debate though Parliament could discuss the same.

In Austria too, any excess over the authorised credit is unauthorised unless it is "inevitable". If the National Council were to find that the excess over credits is unjustified, it is competent to fix the judicial and political responsibility on the Minister concerned.

There does not appear to be any specific provision in Japan for regularisation of any excess presumably because under the system prevailing there, there should not be any excess.

28 CONCLUSIONS REACHED BY THE ASSOCIATION OF SECRETARIES GENERAL OF PARLIAMENTS

A comparative study of Budgetary systems in the various countries reveals that there is a good deal of parliamentary

control over the State finances. The mechanism for control is more or less the same in almost all countries with some variations.

Broadly speaking, countries which follow the Commonwealth parliamentary system tend to attach importance to control by the House as a whole before the Budget is passed, a detailed and comprehensive study by its Committees of a few selected items of estimates of expenditure and a detailed and thorough examination of the expenditure which has been incurred.

Countries which follow the Continental system place more reliance on the Committee system and Budget is scrutinised in greater detail in Committees before it is passed by the Houses and there is little control over the expenditure after it has been incurred.

In most countries there would appear to be no satisfactory procedure for exercise of Parliamentary control over the correctness of the collection of revenues, taxes, etc.

There should be scrutiny over the correctness of the collection of revenues to secure that full amounts as imposed by law have been collected and that there has been no large scale evasion or fraud or depletion of revenue from any other cause. For this purpose the organ of Parliament which scrutinizes the reports of audited expenditure may also be entrusted with this function.

At present in almost all countries Budgets are passed from year to year. This is understandable because Parliaments do not want to give unlimited financial powers to the Executive. They want to subject the Executive to close scrutiny from year to year and to bring to light any cases of maladministration, mismanagement or other public grievances. During recent years, however, Governments under the direction of national parliaments have taken greater interest in the economic well-being of the people. Governments have felt the need of spreading the financing of projects over a number of years depending upon the

magnitude of the projects and the period within which they can be completed. It is, therefore, for consideration whether in the case of expenditure on development which is spread over a number of years Parliament should not be called upon to sanction lump provisions or block grants for the completion of projects irrespective of the period during which they are constructed or completed. This will ensure continuity of finance for a project which has been started in a given year but which may be completed in later years and keep it immune from the effects of political changes in Parliament. The need for bringing up a detailed budget from year to year within the overall limits already agreed upon will however remain.

Discussion of the Budget by the whole House is unwieldy because it leaves little scope for scrutiny of the details, whereas discussion by committees is too detailed and the tendency is for individuals to suggest greater appropriation for various services and departments, leaving it to the House to bring about cuts so as to conform to the maximum expenditure permitted by the overall limits of the Revenue Receipts. Perhaps it might be desirable to submit the Budget to committees for detailed discussion with a stipulation that their scrutiny should be related to details within the overall limits of the amounts proposed by the Government.

The development of nationalised industries has in different countries produced diverging results. In many countries the economy remains mixed and Parliament has shown a tendency to interfere with the nationalised industries. This has produced a conflict between the influence of Minister and Parliament as well as a brake on the initiative of the industries, and raised the necessity for an organisation analogous to the Civil Service to provide required data. In other countries the Minister has shown a tendency to interfere in the industries, and a need has been shown for some parliamentary organ to defend the industry against the Minister. The whole conception of nationalised indus-

tries is still fluid and the matter is worthy of further study at a later date

Reports of organisations which are charged with the audit of expenditure after it has been incurred are made in most countries to Parliament a long time after the event and parliamentary committees charged to examine such reports take their own time in making their reports. Such belated reports tend to reduce the efficiency and morale of the administrative services. It has been frequently reported that those who are responsible for taking decisions hesitate to take such responsibilities lest some time later they should be called upon to explain their conduct in the light not of circumstances then existing but of subsequent events. It is, therefore, important for expeditious methods to be devised whereby the reports of the auditing authorities are brought before Parliaments and for Committees of Parliament to examine such reports with the least possible delay after the closure of the financial year.

APPENDIX

Some aspects of Financial procedure peculiar to the U.S.S.R

In the Soviet Union, in the conditions of socialist ownership of the tools and of the means of production, the State budget is closely linked with all branches of the national economy—with industry, agriculture, transport and trade. The income and expenditure of the Soviet State Budget is for the most part predominantly determined on the basis of the production plan and the actual output of production, the volume of capital put in, targets for the lowering of the cost of production and cost of turnover, the funds for wages and other indicators, which are laid down by the annual plans for the development of its national economy.

The predominant part of the State budget—85 per cent. of all its receipts—comes from the net profits of the State enterprises and organisations. A certain part of the profits of the collective farms and co-operative undertakings in the form of income-tax also goes into the State budget.

Taxes do not play a large role in the State budget and constitute 8–8.5 per cent. of all the income.

More than 2/3rds of all the revenue of the U.S.S.R. State budget is directed to the financing of the national economy and of social and cultural undertakings. In 1956 the amount spent on the development of the national economy was about 42 per cent., and on social and cultural measures more than 28 per cent. of the State revenues.

Budget allocations for the national economy are intended mainly for capital investment and the increase in the

turnover of the State enterprises of industry, agriculture, transport, construction, industry, communal housing and other branches of the economy

The State budget of the U S S R consists of the Union budget, the State budgets of the Union Republics and the State social insurance budget

The State budget of a Union Republic consists of the budget of the Republic, the budgets of autonomous republics, the local budgets of regions, districts and towns dependent on the Republic

The budget of an autonomous Republic consists of the Republican budget and the budgets of regions and towns subject to the central organs of the autonomous Republic

Regions, districts, towns and the village Soviets have their own budgets as well as the Union and autonomous Republics

The State budget law of the U S S R assesses only the general sums of income and expenditure according to the budget of each Union Republic. The allocation of these sums between the Republican and local budgets is decided by the Supreme Soviets of the Union Republics. Similar in the State budget law of a Union Republic only the general sums of income and expenditure of the local budgets are outlined. The allocation for specific purposes is decided to the local Soviets of Workers' Deputies

The Union budget finances measures of general State significance in the development of the national economy and social and cultural construction, expenditure for the defence of the country, and also expenditure in connection with the upkeep of organs of government administration which are included in the Union budget

The State budgets of the Union Republics finance expenditure for the development of the Republican local economy, social and cultural measures and the upkeep of Republican and local organs of State administration

The Republican and local budgets receive the entire income coming from Republican and local sources

In addition, part of the general Union income is added to these budgets, adequate to cover all the expenditure on Republican and local budgets

The report of the government on the draft State budget of the U S S R is heard at a joint meeting of both Houses of the Supreme Soviet of the U S S R The discussion and the passing of the budgets takes place at separate meetings of the Soviet of the Union and the Soviet of Nationalities In each House the State budget of the U S S R , the Union Budgets and the State budget Law of the U S S R for the current year are put to the vote These are considered passed if they are accepted by a simple majority of votes in each House of the Supreme Soviet of the U S S R